DECEMBER 1992

JACOB SULLUM GOES BUNGEE JUMPING

$2.95/$3.50 CAN

reason

FREE MINDS & FREE MARKETS

SPECIAL BOOK ISSUE

A Presidential Reading List

Advice & comment from
Robert L. Bartley, James M. Buchanan,
Karl Hess, Charles Murray, and more

Earth Economics

By Lynn Scarlett

The Boyz N the Hoods

By William Tucker

The New Yellow Peril

By Brink Lindsey

Wall Street Wickedness

By Paul Craig Roberts

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Institute for Humane Studies

IHS CLAUDE R. LAMBE FELLOWSHIPS

of up to

$17,500

in tuition and stipend for educational expenses will be awarded to undergraduate and graduate students by the Institute for Humane Studies.

Application rules:

1. Applicants must have at least junior standing at an accredited university by the 1993 Fall term. Fellowships for students who have applied to graduate programs, but who have not yet been accepted, are conditional upon acceptance.
2. Major field of study must be in the social sciences, law, the humanities, literature, communications, or journalism, and applicants must be pursuing or intending to pursue graduate study in those fields.
3. Applicants should have a clearly demonstrated interest in classical liberal/libertarian ideas.
4. Applicants must intend to pursue an intellectual or scholarly career.

APPLICATION DEADLINE: JANUARY 15, 1993

The Institute for Humane Studies is proud to announce the 1993-94 Claude R. Lambe Fellowship program. Fellowships will be awarded based on academic performance, interest in classical liberal ideas, and potential for an intellectual or scholarly career. The Lambe Fellowship competition is open to all qualified students regardless of race, religion, color, sex, age, military service, handicap, or national or ethnic origin.

Applicants who receive full-tuition scholarships from other sources are eligible to receive only the stipend for educational expenses of up to $8,500. The amount of the fellowship will depend on tuition costs at the recipient's university, the status of any other scholarships awarded to the recipient for the 1993-94 academic year, and relative financial need.

For an application form write:
Lambe Fellowship Secretary, Institute for Humane Studies, George Mason University, 4400 University Drive, Fairfax, VA 22030-4444.

IHS The Institute for Humane Studies
at George Mason University

reason

Free Minds and Free Markets — *December 1992/Vol. 24, No. 7*

FEATURES

14 ■ What's Hate Got to Do with It?
Jacob Sullum
Prejudice and punishment.

20 ■ What Should the President Read?
Doug Bandow, Robert L. Bartley, Clint Bolick, David Brudnoy, James M. Buchanan, Craig M. Collins, Steven Hayward, Thomas W. Hazlett, David R. Henderson, Rick Henderson, Karl Hess, John Hood, F. Kenneth Iverson, et al.
Valley of the Dolls didn't make the cut.

20

32

SPECIAL BOOK SECTION

33 ■ Eco-Economics
Lynn Scarlett
Can the market save the environment?

37 ■ Hangin' with the Homeboys
William Tucker
Inside street gangs.

40 ■ Samurai and Sexual Deviants
Brink Lindsey
Declaring war on Japan.

43 ■ The Crimes of Wall Street
Paul Craig Roberts
Meet the real bad guys.

46

53

EDITORIALS

4 ■ Training Wreck
Virginia I. Postrel
The difference between good advice and good public policy.

5 ■ Kosher Pickle
Jacob Sullum
The separation of consumers and common sense.

COLUMNS

46 ■ Regulation: Leaping to Conclusions
Jacob Sullum
Behind the bungee ban.

50 ■ Washington: Consuming Debate
Rick Henderson
Yes, new taxes.

53 ■ Miami: Van Ban
Glenn Garvin
The war on private transit.

DEPARTMENTS

6 ■ Letters
Recycling debate, Hungarian rights and wrongs, etc.

8 ■ Trends
The new Sweden, buying the presidency, etc.

12 ■ Brickbats
P.C. in the Smithsonian....

56 ■ Hungary: Loose Cannon
Ken Kasriel
Anti-Semitism and xenophobia join the mainstream.

58 ■ Selected Skirmishes: Fast Track on a Steep Road
Thomas W. Hazlett
The Czechs' path to prosperity.

Cover illustration by Arthur Matson

REASON (ISSN 0048-6906) is published monthly except combined August-September issue by the Reason Foundation, a nonprofit, tax-exempt organization, 3415 S. Sepulveda Blvd., Suite 400, Los Angeles, CA 90034. Second-class postage paid at Los Angeles, CA, and additional mailing offices. **POSTMASTER:** Send address changes to REASON, P.O. Box 526, Mt. Morris, IL 61054.

Copyright © 1992 by Reason Foundation. All rights reserved. Reproduction or use, without permission, of editorial or graphic content is prohibited. REASON and Free Minds and Free Markets are registered trademarks owned by the Reason Foundation.

SUBSCRIPTIONS: $24 per year. Outside U.S. add $8/year surface, $36/year airmail. Address all subscription correspondence to REASON, P.O. Box 526, Mt. Morris, IL 61054. 815/734-6309. For address change (allow six weeks), provide old address and new address, including zip code. **UNSOLICITED MANUSCRIPTS** returned only if accompanied by SASE. **INDEXED** in Readers' Guide to Periodical Literature, InfoTrac, Historical Abstracts, Political Science Abstracts, America: History and Life, Book Review Index, and P.A.I.S. Bulletin. Available on microfilm from University Microfilms International, 300 North Zeeb Rd., Dept. P.R., Ann Arbor, MI 48106.

TRAINING WRECK

VIRGINIA I. POSTREL

The most dangerous of Bill Clinton's economic proposals is also the most obscure—and the most seemingly sensible.

Clinton wants to require all employers to spend at least 1.5 percent of payroll on formal worker training. Those who spent less would have to pay a special tax into a government training fund. Most of the 1.5 percent would have to go for lower-level employees.

The idea has been around since 1990 and will undoubtedly survive even if Clinton's candidacy doesn't. In a world of advancing technology and intense competition, the argument goes, neither workers nor businesses can succeed by relying on the rote skills of old-fashioned assembly lines. Well-run manufacturing and service businesses are pushing authority and responsibility as close to the production line, the sales floor, and the customer-service desk as possible. More and more, workers must think for themselves, solve problems, and relate their jobs to the big picture.

Making that switch means redesigning jobs and upgrading skills, especially in manufacturing jobs. The Collins & Aikman carpet plant in Dalton, Georgia, for instance, discovered that many employees couldn't use new machinery because they couldn't read. The mill has hired a local teacher to give on-site classes in reading and math. As a result, productivity is up and error rates are down.

So training is a good idea. And successful foreign companies, notably in Japan and Germany, seem to do more formal teaching than most American businesses.

But Clinton's plan suffers from the central fallacy of Progressivism (or, in its "New Democrat" guise, neoliberalism): the drive to turn good advice into coercion and, in the process, to lose any connection with the subtleties of real-world problems.

As proposed in Clinton's economic blueprint, "Putting People First," the training plan lacks critical details. Would every employer be covered? (Family-owned dry cleaners? Nonprofit soup kitchens?) What kind of training would count? What expenses could go toward the 1.5 percent? (Just out-of-pocket fees? Wages paid while employees attend classes?) The paperwork would be enormous. Ignoring the details suggests a certain detachment from the very world of work the plan seeks to improve.

But some things are clear. The give and take of on-the-job training—the way, for example, writers work with editors—wouldn't count under the Clinton plan. And training quality wouldn't matter. One thing I've learned from sending editors and writers to magazine workshops is that at least two-thirds of the seminars are lousy, either badly done or, more commonly, inappropriate to either the individual or the publication.

To figure out the likely details of a training mandate, you have to go to the source—a highly publicized 1990 report from the Commission on the Skills of the American Workforce. The commission's head was Ira Magaziner, a business consultant and key Clinton adviser. Hillary Clinton sat on the board of the sponsoring National Center on Education and the Economy.

That report makes clear just what's behind the training plan: a deeply held belief that every employee in America should be centrally managed by Ira Magaziner and his friends.

Nowhere does the commission hint that different businesses might have different needs or differently trained workforces. Nowhere does it suggest that its members might know less about the nuances of thousands of industries and millions of firms than the people who make their living in those industries and those firms. Nowhere does it acknowledge the problems of top-down, one-size-fits-all prescriptions.

Indeed, the commission declares that its "proposal may appear burdensome to small companies that do not compete internationally or perceive no need for training. *But the most equitable initiative is one that treats all companies and institutions uniformly.*" (Italics added.)

The report also removes any doubt that the "training" at issue will be as formal, as uniform, and as bureaucratic as possible. It suggests more than a little self-interest on the part of the training industry.

"We recommend that only accredited courses that form part of a formal certification program or a college degree program be counted toward the employer's minimum training obligation," declares the commission. There will be no English as a second language classes, no WordPerfect instruction, no sales seminars unless somebody official has worked them into a genuine government credentialing process.

This is scary. And, despite the antitax rhetoric that will be used to attack it, it is not about money. A new 1.5-percent payroll tax would be a minor intrusion compared to having Washington dictate just how to manage your own workplace.

A lot is at stake, starting with the very existence of small businesses. No, a single training mandate won't wipe them out. But the attitude behind it will.

In Germany and Sweden, countries greatly admired by the commission, small businesses as Americans know them don't exist. At such monoliths as

Hoechst and Electrolux, the costs of formal training can be spread across thousands of employees.

By contrast, letting people work for or own small organizations means putting up with ad-hoc training—learning new software by reading the manual, for instance, rather than taking a class led by the data processing manager. Such improvisation makes people like Magaziner uncomfortable.

But it makes a lot of other Americans happy. Small business is not just a lobby. It's a lifestyle. Many, many people want to work in more-intimate organizations, organizations that can't afford human-resources departments and training managers but that can afford to treat people as individuals.

The real problem with a training mandate, then, isn't that it's expensive or even that it's ham-handed. It's that it doesn't appreciate what work means to people.

The workplace is more than a tool of national economic competition, a weapon to be manipulated by a Clinton administration's Economic Security Council. It is the place millions of people spend most of their waking lives. And it is the place entrepreneurs and managers express their concept of the good life, their idea of how people ought to get along. It is profoundly personal.

Many consultants and professors, journalists and executives, think they can tell you how to be a better manager. Many of them are right. So are many of the psychologists, teachers, and social workers who believe they know how you can be a better parent, a better spouse, a better friend.

But both happiness and prosperity, better relationships and better management, depend on knowing the difference between good advice and good public policy. And it is a difference, unfortunately, that Bill Clinton still seems to miss.

KOSHER PICKLE

JACOB SULLUM

When presented with packaged food, my 5-year-old niece will carefully examine the label, looking for the symbol that assures her it's OK to eat: a *U* inside a circle, which certifies that the food has been prepared according to Jewish dietary laws, under the supervision of the Union of Orthodox Jewish Congregations of America. She will not accept a mere *K*, which represents the manufacturer's unverified statement that the product is kosher.

You might think that if a preschooler is capable of making such distinctions, so is the average adult, observant Jew. But some people don't want to take any chances. For decades regulators in 20 states have inspected businesses selling ostensibly kosher food to make sure they follow the laws of *kashrut*—which, among other things, forbid certain categories of food, require the separation of meat and milk, and specify procedures for slaughtering and preparing meat.

The New Jersey Supreme Court recently overturned that state's *kashrut* regulations as an unconstitutional establishment of religion. A hot-dog vendor has brought a similar challenge against a Baltimore ordinance, and the case is pending in federal district court.

Both cases hinge on subtle and complicated analyses of what constitutes a secular legislative purpose, an advancement of religion, or an excessive entanglement with religion. But they also raise a question that the courts have not been asked to decide: Is there any area at all where consumers can be expected to look out for their own interests?

The defense of state intervention in the kosher-food market, where information is readily available and consumers are highly motivated, illustrates a disturbingly common regulatory mindset—the same mindset that insists that consumers need to be protected from bad haircuts, cannot deal with incomplete nutritional information (such as "no cholesterol"), and don't recognize the hazards of submerging electrical appliances in water. "If the state doesn't regulate, consumers will have no assurance that a food is really kosher," said Nathan Lewin, an attorney for a Jewish group that supports state supervision, in an interview with *The Washington Post*.

Even if you know next to nothing about kosher food, you might wonder how observant Jews managed to get by for thousands of years without the assistance of agencies such as New Jersey's Bureau of Kosher Enforcement. And if you're familiar with the dining and shopping habits of Jews who keep kosher, you will recognize that Lewin is—well, *exaggerating* would be a nice way of putting it.

As my niece could tell you, Jews rely upon certification by religious authorities to determine whether something is kosher. There are more than 100 *kashrut* supervision services worldwide. In addition to organizations such as the Orthodox Union, individual rabbis often serve as supervisors, or *mashgichim*. In Los Angeles, for example, two local organizations and several independent *mashgichim* certify bakeries, butcher shops, and restaurants. Supervision generally involves a full-time employee trained in the laws of *kashrut*, supplemented by outside inspectors who make surprise visits on a regular basis. If you want to know whether a business has supervision, you can ask to see its certificate, which is usually on display.

The *Post* reported that the New Jersey Supreme Court's decision "may mean consumers determined to keep kosher may have to do a lot more homework themselves on the products they buy." In fact, observant Jews in New Jersey and elsewhere will continue to do what they have always done: look for the mark or certificate showing that a product or establishment passes muster with a religious authority they trust. This is really not so hard or complicated, especially when compared with the intricacies of Establishment Clause doctrine.

REASON

Publisher Robert W. Poole Jr.
Editor Virginia I. Postrel

Associate Editor Jacob Sullum
Assistant Editor Charles Oliver
Washington Editor Rick Henderson
Production Editor Elizabeth Larson
Editorial Assistants Chris Norabhanlobh, Mary Toledo
Intern Grant Thompson

Art Director Paula Brown
Paste-up Artist Cheril Russell

Associate Publisher Bryan E. Snyder
Circulation Director Robert McGlashan
Advertising Director T. Mike Griffin

Contributing Editors

Ronald Bailey — *Doug Bandow*
Tom Bethell — James Bovard
David Brudnoy — Greg Costikyan
Edith Efron — Steven Hayward
Thomas W. Hazlett — *David R. Henderson*
T. A. Heppenheimer — John Hood
Loren E. Lomasky — Michael McMenamin
Steven W. Mosher — Stanton Peele
Scott Stantis — *Thomas Szasz*
William Tucker — Paul H. Weaver
Walter E. Williams — Martin Morse Wooster
Cathy Young — Karl Zinsmeister

Editorial, Advertising, and Production Offices
3415 S. Sepulveda Blvd., Suite 400
Los Angeles, CA 90034
(310) 391-2245

Washington Office
1001 Pennsylvania Ave., NW
Suite 200 South
Washington, DC 20004
(202) 457-8577

Circulation Service
P.O. Box 526
Mt. Morris, IL 61054
(815) 734-6309

Founding Editors: Manuel S. Klausner, Tibor R. Machan, Robert W. Poole Jr.

REASON is published by the Reason Foundation, a 501(c)(3) nonprofit educational foundation. Contributions to the Reason Foundation are tax-deductible. Signed articles in REASON reflect the views of the authors and do not necessarily represent those of the editors, the Reason Foundation, or its trustees.

Audit Bureau of Circulations **Member**

Reason Foundation
Trustees: Bernard Baltic, Frank Bond, Richard J. Dennis, Richard Fink, Neal I. Goldman, Stina Hans, Manuel S. Klausner, David H. Koch, Robert W. Poole Jr., Harry E. Teasley Jr., Walter E. Williams
President: Robert W. Poole Jr.
Senior Vice President: Bryan E. Snyder
Vice President, Research: Lynn Scarlett
Development Director: Janet Levine
Public Affairs/Development Assistant: Jennifer George
Privatization Center Director: *William D. Eggers*
Policy Analysts: Janet R. Beales, David Haarmeyer
Associate Policy Analyst: John O'Leary
Research Assistant/Librarian: Donna Lee Braunstein
Bookkeeper: Ellen Baker
Administrative Assistant: T. Mike Griffin
The Midnight Economist: William R. Allen
Volunteers: Anthony Brown, Gary Drust
Legal Adviser: Don Franzen

LETTERS

Homework

I must congratulate you for Cathy Young's article "Victors or Victims" (Oct.). It brings back fond memories of my early years as a feminist in the late '60s and early '70s, when feminists were easily distinguishable from wimps.

Back then, I dreamed the day would come when women could choose from any of life's opportunities, regardless of gender. But today we are still a tiny minority among business and political leaders. We have made some gains in our careers, but if husbands won't help with domestic chores—or are absent altogether—the source of inequality is mainly at home, not the office.

Regrettably, many women who label themselves "feminists" are seeking refuge in the victim role, as your article so eloquently points out. Women will make no progress so long as we expect government to "help" us out with "protective" legislation. I hope the hand that rocks the cradle will help the next generation do better. Then, perhaps, more men will help rock cradles, too.

Martha A. Churchill
Chicago, IL

Manufacturing Smarts

Bart Kosko makes some excellent points in his essay on increasing the machine IQ of weapons ("Arms Wrestling," Oct.). But he commits a serious error when he advocates the currently popular notion that so long as state-of-the-art weapons are designed through the prototype stage, it is not necessary actually to produce them.

U.S. manufacturers traditionally followed a process of separating development of new products from production. After completing the development, the research lab "threw it over the wall" to production, and the production department tried to produce it. Most manufacturers have finally recognized this doesn't work. Unless producibility is designed in from the beginning, the production department literally has to redesign the product before it can be produced.

Many manufacturers are shifting to a process known as "simultaneous engineering" or "concurrent engineering," in which production people play as important a role in the design process as the researchers. The purpose is to ensure that the design reflects the actual capabilities of production processes.

Under the "stop at the prototype level" concept, this feedback from production to design would be lost. Indeed, there might not even be a production department to provide the feedback. The inevitable result would be that when an emergency arose and we tried to produce the latest, state-of-the-art but on-the-shelf design, it would turn out to be a production-line nightmare.

Col. Joseph P. Martino (USAF, Ret.)
Sidney, OH

Land Grab

Richard Miniter expressed skepticism regarding the National Park Service's claim that it is revising its National Natural Landmarks regulations to address landowners' concerns ("Trouble in Paradise," Aug./Sept.). The situation is worse than he realizes.

In response to objections that the government has been evaluating and designating private property as "nationally significant" landmarks without the knowledge or consent of the owners, the Park Service has proposed only token changes in the regulations: Property will no longer be designated as a landmark without the owner's consent, but the Park Service can still unilaterally designate property as "nationally significant" and continue with the attempt

to gain control of the land.

Park Service Director James Ridenour said last year that he would like to "punch out" those of us who have criticized the landmark program, while praising his associates for their "restraint." Chief of Park Service Public Affairs George Berklacy said this attitude toward landowners results from our "harassment"—presumably, our persistence in monitoring and publicly exposing program abuses. He dismissed our concern for what he called mere "procedural matters" (our rights) as irrelevant compared to the Park Service goal of compiling a "comprehensive inventory of...important sites" in the "public interest," which he calls the "fundamental issue."

The agency's systematic use of outside, preservationist activists to nominate and "evaluate" their favorite spots for new sites without regard to landowners' rights was dismissed as just "sloppy record keeping and a naive assumption...that all property owners would welcome Landmark recognition." This is truly a case of fanatics with a "noble cause" who think they can do no wrong.

Erich Veyhl
Maine Conservation Rights Institute
Lubec, ME

Guest Room

Ken Kasriel ("We Don't Explain," Aug./Sept.) takes one example of possible injustice (assuming that the article fully presented both sides of the issue) and makes an untrue, sweeping generalization about the present Hungarian government and its people. He attributes the attitude of former communist bureaucrats—that the government is not accountable to the people for its actions—to the present democratic government. Is the deportation of the Vietnamese from Hong Kong and of the Haitians from the United States also due to "ingrained xenophobia and authoritarianism" that is "tainting" these democracies?

Ildiko J. Bodoni
Hungarian-American
Human Rights Council
Western Springs, IL

Mr. Kasriel replies: American and Hong Kong immigration officials at least enforce the law when deporting illegal entrants. Hungarian authorities haven't. Not only did they detain nine foreigners in the Kerepestarcsa camp for no legal reason at all; they also admit that, despite the law's six-day detention limit, the average inmate's stay is some three weeks.

One Word: Plastics

For the record, North American Plastics Recycling Corporation has never made packaging film from recycled material, as stated in Lynn Scarlett's article ("It's All in the Packaging," Aug./Sept.). Rather, our company reprocesses used plastic packaging into resin that our customers purchase for reuse. In most cases, this resin is less expensive than virgin material.

The crux of the recycling debate remains whether the benefits of recycling exceed its costs. Ms. Scarlett believes that "recycling does not necessarily save any resources." Unfortunately, no one has the facts to prove or disprove this thesis. For every study that can demonstrate that no resources are saved, one can produce a study showing substantial savings. What we need is a definitive study that will once and for all detail the total costs and benefits associated with our national and regional recycling efforts.

If recycling does save resources, we should not be satisfied with the proposed federal packaging regulations, which the Congressional Budget Office estimates would reduce the 200 million tons of municipal solid waste generated each year by less than 1 percent. Recycling could help improve our balance of trade and our balance of payments while reducing the budget deficit. Moreover, recycling creates jobs. Finally, the formation of a recycling infrastructure may lead to lasting social and environmental benefits.

Tom Tomaszek
North American Recycling Systems
Fort Edward, NY

Ms. Scarlett replies: My apologies to Mr. Tomaszek for misidentifying the activities of his company. The information was drawn from an industry trade magazine.

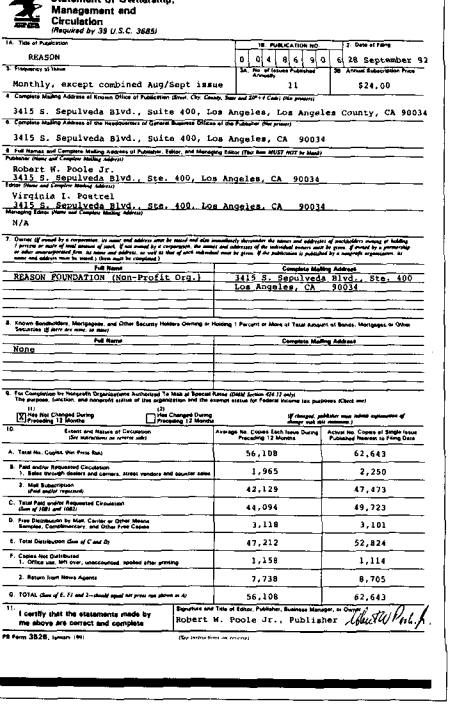
Mr. Tomaszek misunderstands the dynamic and contextual nature of resource use. Whether recycling will save on all resources depends on the material collected, the location and means of processing, and the remanufacturing process. This equation will change over time and will depend on the relative scarcities of different resources at any given time and place.

Mr. Tomaszek shows a similar misunderstanding of basic economics when he argues that "recycling creates jobs." The key question is not whether some jobs are created, but whether the funds invested in recycling activities, allocated to alternative investments, would have created higher productivity, more jobs, and more value.

Communicate with REASON

We appreciate your letters, typed double-space and limited to 200 words. Letters sent to REASON will be considered for publication (unless otherwise noted) and may be subject to abridgment or editorial comment.

3415 S. Sepulveda Blvd., Suite 400
Los Angeles, CA 90034



Statement of Ownership, Management and Circulation
(Required by 39 U.S.C. 3685)

1A. Title of Publication: REASON	1B. PUBLICATION NO: 0 0 4 8 6 9 0	2. Date of Filing: 28 September 92	
3. Frequency of Issue: Monthly, except combined Aug/Sept issue	3A. No. of Issues Published Annually: 11	3B. Annual Subscription Price: $24.00	

4. Complete Mailing Address of Known Office of Publication (Street, City, County, State and ZIP+4 Code) (Not printers): 3415 S. Sepulveda Blvd., Suite 400, Los Angeles, Los Angeles County, CA 90034

5. Complete Mailing Address of the Headquarters or General Business Offices of the Publisher (Not printer): 3415 S. Sepulveda Blvd., Suite 400, Los Angeles, CA 90034

6. Full Names and Complete Mailing Address of Publisher, Editor, and Managing Editor (This item MUST NOT be blank)

Publisher (Name and Complete Mailing Address): Robert W. Poole Jr. 3415 S. Sepulveda Blvd., Ste. 400, Los Angeles, CA 90034

Editor (Name and Complete Mailing Address): Virginia I. Postrel 3415 S. Sepulveda Blvd., Ste. 400, Los Angeles, CA 90034

Managing Editor (Name and Complete Mailing Address): N/A

7. Owner (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given. If the publication is published by a nonprofit organization, its name and address must be stated.) (Item must be completed.)

Full Name	Complete Mailing Address
REASON FOUNDATION (Non-Profit Org.)	3415 S. Sepulveda Blvd., Ste. 400 Los Angeles, CA 90034

8. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages or Other Securities. (If there are none, so state)

Full Name	Complete Mailing Address
None	

9. For Completion by Nonprofit Organizations Authorized To Mail at Special Rates (DMM Section 424.12 only)
The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes: (Check one)
(1) [X] Has Not Changed During Preceding 12 Months (2) [ ] Has Changed During Preceding 12 Months
If changed, publisher must submit explanation of change with this statement.

10. Extent and Nature of Circulation (See instructions on reverse side)	Average No. Copies Each Issue During Preceding 12 Months	Actual No. Copies of Single Issue Published Nearest to Filing Date
A. Total No. Copies (Net Press Run)	56,108	62,643
B. Paid and/or Requested Circulation 1. Sales through dealers and carriers, street vendors and counter sales	1,965	2,250
2. Mail Subscription (Paid and/or requested)	42,129	47,473
C. Total Paid and/or Requested Circulation (Sum of 10B1 and 10B2)	44,094	49,723
D. Free Distribution by Mail, Carrier or Other Means Samples, Complimentary, and Other Free Copies	3,118	3,101
E. Total Distribution (Sum of C and D)	47,212	52,824
F. Copies Not Distributed 1. Office use, left over, unaccounted, spoiled after printing	1,158	1,114
2. Return from News Agents	7,738	8,705
G. TOTAL (Sum of E, F1 and 2—should equal net press run shown in A)	56,108	62,643

11. I certify that the statements made by me above are correct and complete. Signature and Title of Editor, Publisher, Business Manager, or Owner: Robert W. Poole Jr., Publisher

PS Form 3526, January 1991 (See instructions on reverse)

Swedish Surprise

"Why not?" Swedish Minister of Education and Science Per Unckel says with a smile when I ask if his government really has the national post office on its list of monopolies to privatize.

Unckel was in Los Angeles in September with King Carl XVI Gustaf and several other high-ranking members of the Swedish government to hold a luncheon and seminar on privatization in their country. The downtown hotel banquet room was packed with Swedish nationals, and several times during their speeches the ministers were interrupted by loud applause for their plans to restrict and reform the Swedish state.

That's right, "socialist" Sweden is well on its way to selling some 30 government industries, utilities, and services to the private sector. Headed by conservative Prime Minister Carl Bildt, the government has also started a school-voucher system and is planning drastic cuts in the country's welfare system.

"The state is and will always be a lousy company manager," insists Unckel, explaining Sweden's reason for privatizing such government monopolies as the electric utilities, telephone company, and train service "as soon as possible."

Jan Amethier, head of the privatization unit at the Ministry of Industry and Commerce, says revenue from the sales, estimated to be 120-150 billion krona ($22.6 billion-$28.3 billion), will go to improve Sweden's infrastructure or to reduce the budget deficit.

Last spring Sweden implemented its education-voucher system. Every Swedish child may now bring 85 percent of his education funds with him to any school in the country—public, private, or religious. Unckel says that when he recently met U.S. Education Secretary Lamar Alexander, the American expressed surprise at how far along the Swedish system is compared to voucher efforts in the United States.

Sweden also plans to cut child benefits; housing subsidies; pensions; sickness and work-injury benefits; development assistance; and political party and student grants by 18.9 billion krona ($3.6 billion) in 1993 and 31.4 billion krona ($5.9 billion) by 1997. Says Unckel, "What was known as the Swedish model does not work any more."

He says the government plans to "develop the social-welfare sector by extending individual freedom of choice"—by cutting unemployment benefits and encouraging the unemployed to join temporary public-works projects.

The new Swedish government, says Unckel, hopes to make Sweden "the best home possible for individual freedom and entrepreneurship."

—Elizabeth Larson

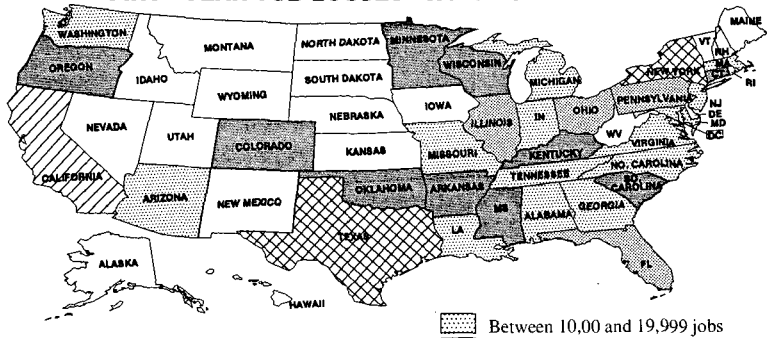
Per Unckel, Sweden's Minister of Education and Science, says his country's new school-voucher system has widespread support from parents and teachers.

Pay or Pay

One of the hot policy proposals these days is a pay-or-play universal health-care plan, touted as a public-private alternative to socialized medicine. Employers would have to provide health benefits to their employees or pay a tax that would fund federal health insurance.

But is pay-or-play really that desirable? The plan would make it more expensive for firms to employ workers and would reduce employment. How much? Well, the Republicans on Congress's Joint Economic Committee estimate that a pay-or-play program with a 7-percent tax would cost 712,742 jobs nationally. Most of the jobs would be lost in small businesses. Firms with fewer than 20 employees would lose 308,265 jobs.

FIRST-YEAR JOB LOSSES FROM PAY OR PLAY



Source: Joint Economic Committee

COURTESY OF THE CONSULATE OF SWEDEN

Who'll Play Roark?

Rand in 1947, four years after *The Fountainhead* appeared.

Almost 50 years after the novel was published and more than 40 years after it was first adapted into a movie, Ayn Rand's *The Fountainhead* may be set to return to the silver screen. Veteran producer James Hill will be soliciting funding from various studios later this year after he finishes his original screenplay.

Hill has already signed 30-year-old Phil Joanou to direct the film. Joanou's previous work includes the features *Final Analysis* and *State of Grace* and the documentary *Rattle & Hum* about the Irish rock band U2.

Joanou, who had previously tried to option the novel himself, told *The Hollywood Reporter*, "*The Fountainhead* has been one of my favorite books since reading it in high school."

No casting for the film has been set, but Hill admitted that he wants Jack Nicholson to play newspaper magnate Gail Wynand. Of course, every producer *wants* Nicholson for his project.

—*Charles Oliver*

It Doesn't Work

Your state supreme court has just ruled that by giving employees a policy manual specifying certain acts that could get them fired, employers have implicitly entered into a contract that allows them to fire people only for those actions. Anyone fired for reasons not spelled out in the policy manual may sue for wrongful termination.

This ruling is good for workers in your state, right? Maybe not.

Over the last decade, state courts have increasingly restricted employers' ability to fire workers. Many have even adopted the policy-manual-as-contract approach described above. But these decisions are inflicting substantial costs on the economy and costing workers jobs. That's the conclusion of a study by James N. Dertouzos and Lynn A. Karoly of the Rand Corp.'s Institute for Civil Justice, "Labor Market Responses to Employer Liability."

Under common law, both employers and employees have been free to terminate their relationship at will in the absence of a contract that states otherwise. But throughout the 1980s, state legislatures and, more important, state courts chipped away at that right, restricting employers' ability to fire workers.

The result is more wrongful-termination suits. Such suits were almost unheard of before 1980, but today, the study reports, there are more than 20,000 wrongful-termination suits on state-court dockets.

The costs of such suits can be high. In California, the state with the most complete data, the study found that jury awards average $700,000, and for those suits that make it to trial, plaintiffs win 70 percent of the time. In total, the direct cost to California employers is $50 million annually.

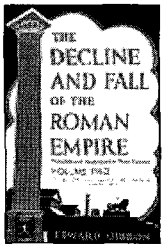
But the indirect costs of such suits are even higher. Firms become more reluctant to fire workers who are unproductive. They put potential employees through a longer and more rigorous screening process. In short, restricting an employer's ability to fire makes employment more expensive. The study contends that the indirect costs may be 100 times greater than the direct costs.

These higher costs translate into lower employment. "In a nutshell, the efforts of the state judiciaries to protect workers' job security are altering employers' hiring and firing practices. And one of the results is less hiring," write Dertouzos and Karoly. The decline in employment may be as high as 7 percent in states that have most restricted employers' right to fire at will.

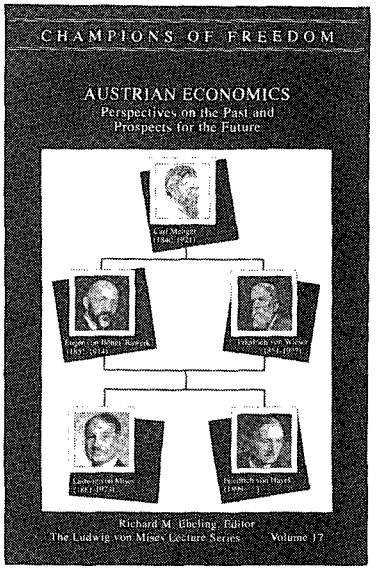
—*Charles Oliver*

LEONARD McCOMBE, LIFE MAGAZINE © 1947, 1967 TIME INC.

Free Catalog
Bargain Books
Save up to 80% on recent overstocks, remainders, imports and reprints from all major publishers. Choose from up to 8,000 titles including 600–1,500 new arrivals each month!
Politics, History, Biography, Science, Fiction, Business, Gardening—something for everyone. An immense selection and with more books at $1.95, $2.95, $3.95 than you'll find anywhere else. Fast shipment, moneyback guarantee.
HAMILTON
Box 15-258, Falls Village, CT 06031

AUDIO BOOKS


❦ On Cassettes
❦ Unabridged Recordings
❦ Purchase or Rent
❦ Over 400 Titles
❦ Professionally Narrated
BLACKSTONE AUDIO BOOKS
P.O. Box 969 Ashland, OR 97520
For a FREE Catalogue Call:
1-800-729-2665


CHAMPIONS OF FREEDOM
AUSTRIAN ECONOMICS
Perspectives on the Past and Prospects for the Future
Richard M. Ebeling, Editor
The Ludwig von Mises Lecture Series Volume 17
516 pages
Discounts for classroom use!
Visa / MC / Discover
1-800-437-2268
For discount information
(517) 439-1528
ext. 2319
FREE SHIPPING
$19.95 hardcover
$9.95 paperback
HILLSDALE COLLEGE

BALANCE SHEET

Assets

Path Cleared? Peru's government captures Maoist Shining Path founder Abimael Guzman—once dubbed "Charlie Manson with an army." (See Trends, Oct.) President Alberto Fujimori's next challenge: peaceful, democratic parliamentary elections November 22.

Privacy Righted. Homosexual sodomy is no longer a crime in Kentucky. The state constitution explicitly protects individuals' privacy and guarantees equal protection of the law. So by a 4-to-3 vote, the state Supreme Court overturns a law specifically banning same-gender intercourse. Court challenges in other states with similar protections will follow.

Call Forwarding. The FCC inches local telephone competition closer. Potential competitors once had to string their own lines to compete with GTE and the Baby Bells. Now upstart companies must be allowed access to the local monopoly's central switching office. *The New York Times* estimates the cost of running one circuit will drop from $270 to about $5 per customer.

Bashed Brothers. *The Economist* reports that alliances between U.S. and Japanese companies have surged—from 477 in 1990 to 753 last year. American firms get Japanese capital and managerial patience; Japanese companies get American R&D sooner. Each gains access to the other's market. Such joint ventures may make protectionism impossible.

Liabilities

Greed Grounded. Hurricane Andrew slams Florida. Bottled water and building supplies get scarce. Merchants raise prices. *Fortune*'s Daniel Seligman reports that Attorney General Bob Butterworth may fine retailers for "gouging" shoppers. Indeed, says Butterworth, "I don't see any difference between the looters...and the business people who [gouge] consumers."

Border Crossing. Companies incorporate in Delaware to enjoy the favorable tax code. Greedy state treasuries elsewhere feel cheated. They're relentlessly raising taxes on local businesses headquartered out of state. Ohio alone expects $40 million a year from these "foreign" corporations. "The states are like a pack of hyenas," Citicorp tax counsel Haskell Edelstein tells *Forbes*. "They all want a piece of the carcass."

Mini-MITI. In 1993, opines *Business Week*, Congress will get serious about industrial policy. A bill passed by the House would establish a technology-extension service similar to agricultural-extension agencies (Hank Kimball, computer nerd?) and set aside $430 million in tax money for loan guarantees and venture capital for risky technology. "If government gets involved," warns Undersecretary of Commerce Robert White, "it's likely to...end up funding dogs."

Malpractice Suits. The latest alternative to higher taxes: When the government needs money, it can expand civil-forfeiture laws. (See Trends, Oct.) Rep. Jerry Lewis (R-Calif.) sponsors a bill permitting "the civil and criminal seizure and forfeiture of property" in health-care fraud cases. On next year's court docket: *U.S. v. One Box of Iodine Swabs.*

—Rick Henderson

Electoral Misers

Early last year, George Bush enjoyed an 88-percent approval rating, but by last summer conservative pundits were urging the president to prevent an embarrassing loss and drop out of the race. University of Chicago business professor Sam Peltzman suggests a simple reason voters turned against Bush: He is a profligate spender. An electoral model spelled out by Peltzman in the May *Quarterly Journal of Economics* predicts that any incumbent who followed Bush's spending policies during an economic slowdown would face a serious backlash from voters.

Peltzman reviewed all the presidential, senatorial, and gubernatorial elections from 1950 to 1988 and set up an equation that attempts to predict which lever a "marginal" voter will pull. He concluded that, while incumbents do have an advantage over challengers (the incumbent's party starts with a 6.3-percentage point lead in presidential races), bungled fiscal policy can wipe out that edge, especially in bad economic times.

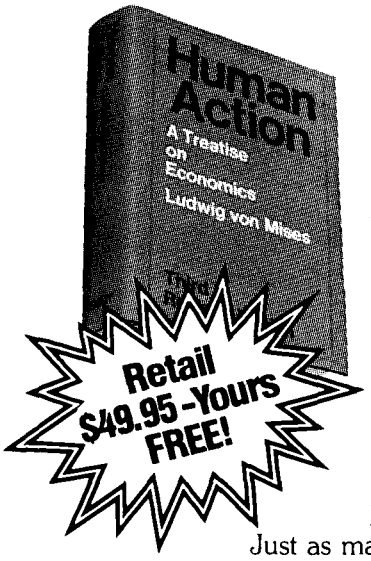
The Bush administration increased spending by 37 percent. Using the coefficients in Peltzman's study, these spending increases (given the sequence in which they occurred) would cost Bush 15 points in the polls, more than eclipsing his initial 6-point advantage.

Rising unemployment also hurts incumbents. During the second Reagan term, the unemployment rate hovered around 5 percent. But unemployment in the Bush era has risen steadily, reaching 7 percent at the end of last year; this pattern could clip another 7 points or so from Bush's vote.

Peltzman challenges the conventional view that presidents can "buy" votes, as Bush tried to do, with pork-barrel programs just before an election. Instead, he writes, voters tend to "punish spending in the last two years of a President's term and basically ignore the rest."

Moreover, "voters do not much care how the Federal government allocates its spending....Basically, every extra dollar is equally bad."

—Rick Henderson



"Perhaps the most important economic treatise of our time"

– WALL STREET JOURNAL

Human Action is the most compelling case for economic freedom ever made. It is the free-market answer to Marx's *Das Kapital* and Keynes's *General Theory*.

And it is fascinating. Mises is a cool logician, our greatest economic scholar, a passionate lover of freedom — and a passionate hater of those who would take it away from us. Thus *Human Action* is the economic masterwork of our age — and, at the same time, a soaring hymn to human freedom.

Mises has nothing but scorn for the phony "compassion" of the Marxians and Keynesians — because he sees how their theories actually breed suffering. One by one, he sweeps away the dangerous fallacies of liberalism and socialism.

Finally, this book is a warning. Just as man ignores the law of gravity at his peril, so too the immutable laws of economics. As Mises aptly puts it:

"It rests with men whether they will make proper use of the rich treasure with which this knowledge [of economics] provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp our society and the human race."

The economic masterpiece of the century – in an edition worthy of its contents

Revised and updated by the author himself ☐ Massive 924 pages ☐ Comprehensive 21-page index ☐ Entirely reset — NOT to be confused with any previous edition

HUMAN ACTION

Triggers an Explosion of Critical Acclaim

"I think that *Human Action* is unquestionably the most powerful product of the human mind in our time, and I believe it will change human life for the better during the coming centuries as profoundly as Marxism has changed all our lives for the worse in this century." — Rose Wilder Lane

"If any single book can turn the ideological tide that has been running in recent years so heavily toward statism, socialism, and totalitarianism, *Human Action* is that book. It should become the leading text of everyone who believes in freedom, in individualism, and in a free-market economy." — Henry Hazlitt

"An arsenal of fact and logic for those at war with the Marxists and Fabians." — *Chicago Daily News*

"Dr. von Mises has made a tremendous contribution to economic thinking in a world that thinks only economics." — Vermont Royster

"[Mises] offers a combination of great scholarship and the rare ability to make an abstruse economic subject interesting." — Lawrence Fertig

"The finest economic treatise of this generation." — Raymond Moley

How to get this $49.95 masterwork FREE

How the Club Works

Every 4 weeks (13 times a year) you get a free copy of the Club Bulletin, which offers you the Featured Selection plus a good choice of Alternates — all of interest to conservatives. ★ If you want the Featured Selection, do nothing. It will come automatically. ★ If you don't want the Featured Selection, or you do want an Alternate, indicate your wishes on the handy card enclosed with your Bulletin and return it by the deadline date. ★ The majority of Club books will be offered at 20-50% discounts, plus a charge for shipping and handling. ★ As soon as you buy and pay for 4 books at regular Club prices, your membership may be ended at any time, either by you or by the Club. ★ If you ever receive a Featured Selection without having had 10 days to decide if you want it, you may return it at Club expense for full credit. ★ Good service. No computers! ★ The Club will offer regular Superbargains, mostly at 70-90% discounts plus shipping and handling. Superbargains do NOT count toward fulfilling your Club obligation, but do enable you to buy fine books at giveaway prices. ● Only one membership per household.

CONSERVATIVE BOOK CLUB

15 OAKLAND AVENUE ● HARRISON, N.Y. 10528

Please accept my membership in the Club and send me, free and postpaid, Ludwig von Mises' magnum opus, *Human Action*, in the $49.95 Third Edition. I agree to buy 4 additional books at regular Club prices over the next 2 years. I also agree to the Club rules spelled out in this coupon.

R-106

Name _____

Address _____

City _____ State _____ Zip _____

BRICKBATS

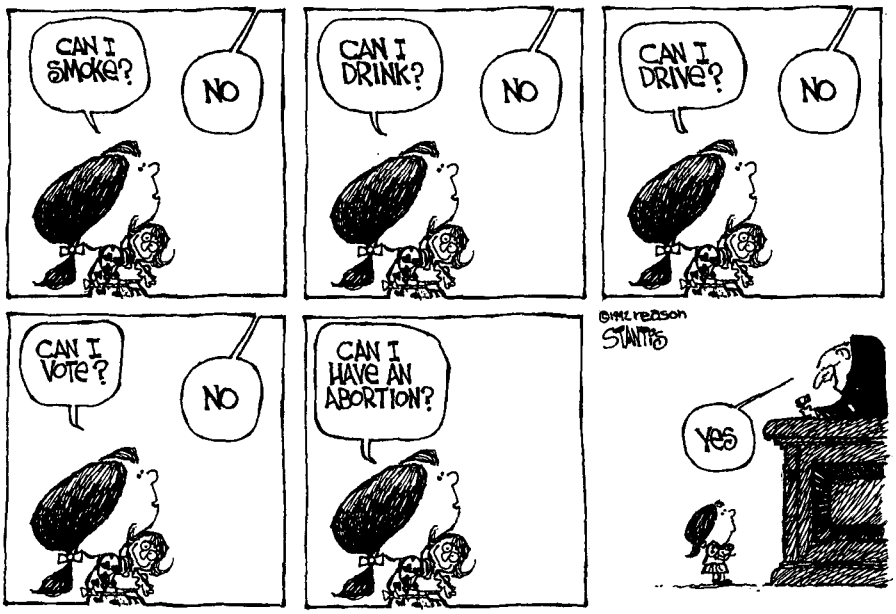
Los Angeles paramedics found two things in the Cadillac parked on Piru Street: a corpse slumped over the dashboard and a parking ticket that had been issued an hour earlier. They didn't understand how the parking officer had missed the dead man. "He had to reach in the window right past the body," said one paramedic. "He put the ticket on the inside of the dash and drove off, and here this guy has been dead in the driver's seat for 10 or 12 hours."

Members of the San Francisco chapter of the Green Party of California recently defeated a motion to end "male dominance" party meetings by alternating male and female speakers and cutting off additional male speakers after all the women had finished. Said one Green, "Some women felt that if there were no women left to say anything, maybe there was nothing left to say and men were just making hot air."

The office of the House of Representatives' majority whip spent $3,162 in 1991 on muffins from the Cookie Cafe.

Smithsonian Institution Associate Director Robert Sullivan has a mission: to make the Museum of Natural History politically correct. Soon to go, for example, is a popular exhibit of Captain John Smith trading with the Powhatan Indians on the banks of the James River. Why? The Powhatan women are barebreasted, and that's sexist. Another popular exhibit that will get the ax is a leaping Indian tiger. Why? Many men like to have their photos taken with the tiger. That irks Sullivan because it makes the tiger seem like a hunting trophy.

Some conservatives have lauded the Fox network's *Cops* for its positive portrayal of policemen. But we wonder what they would think if they saw what *Cops* doesn't show us. Namely, any bad bust recorded by its cameras. For example, the show went along on a Kent, Washington, raid on a crack house, but the police got the wrong building. The cameras recorded a troop of well-armed police kicking down the doors of the Carver home in the middle of the night and wrestling the parents and their four children to the floor. The mother, who was naked, was not even allowed to put on any clothes. Fortunately for her, the embarrassing episode wasn't aired.



The always-progressive city of Santa Cruz, California, has made it illegal to discriminate against anyone in housing or employment on the basis of obesity, toothlessness, or any "physical characteristic."

In Burlington, Vermont, about 300 people showed up to protest the visit of a *Playboy* photographer. Many women showed their disapproval of the magazine's portrayal of women as sex objects by baring their breasts.

In Las Vegas, two men accosted the driver of a Vegas Chips delivery truck at knifepoint and forced him to drive to a remote area and "turn over the chips." But the two men became irate and pummeled the driver when they learned that the chips were not gaming chips but potato chips. Dick Falk, vice president of Vegas Chips, notes that the truck was clearly identified as carrying potato chips. The company logo, which shows a bag with potato chips coming out of it, was even painted on the sides of the truck.

If you're traveling into Toronto, Canada, your flight may be delayed. A herd of deer has taken up residence near the airport, and they often mosey onto the runways, stopping traffic. Of course, environmentalists are fighting efforts to move the herd.

Finally, *USA Today* reports that members of the House of Representatives are getting around rules against nepotism by having other members hire their relatives. The paper found at least 54 relatives of members are employed in the House.

—Charles Oliver

Party on!

You are invited to a party, a party with the smartest, funniest, wisest and most interesting people in the world.

Every issue of *Liberty* is a party, filled with fascinating people who dazzle you with their wit, who stimulate your thinking with their state-of-the art discussion of libertarian ideas, who keep you up-to-date with penetrating reviews of virtually every book of special interest to libertarians, and make you laugh with the funniest cartoons and most outrageous humor around.

In the November *Liberty*:

• **The Birth of the Libertarian Party** — *John Hospers* tells the inside story of the founding of the LP, its first Presidential campaign and how he became the first LP presidential candidate to gain an Electoral Vote.

• **Europe's Currency Crisis** — *Leland Yeager* adds some perspective to the recent monetary crisis: we may have heard it all before, though the journalists and politicians still don't get it. But you will.

• **Argentina and/or Bust** — How did Argentina, the richest Latin American country, become a third world basket-case, and how can it recover? *Paul Terhorst* answers these questions, and appraises Argentina's current policy and continuing crises.

• **Christianity and the "Nazi Option"** — *Doug Bandow* recently told *Liberty*'s readers how Christian and libertarian beliefs go well together. In our current issue, *Jan Narveson* puts it the other way around: Christianity and libertarianism are not compatible at all.

• **Searching for Libertarians in Eastern Europe** — *Ben Best* goes back to the U.S.S.R. seeking out (and finding) libertarians.

• **The Crisis of the Canadian "Nation"** — *Scott Reid* tells why Canada is about to go the way of the USSR.

Money Back Guarantee

Your subscription to *Liberty* is risk-free, thanks to *Liberty*'s money-back, double guarantee. (See the box below.)

Act Today!

Liberty offers you the best in libertarian thinking and libertarian writing. So don't hesitate: call toll-free 1-800-321-1542 with your credit card information.

Or return the coupon below. And enjoy the pleasure of the company of the world's leading libertarians!

Free with your subscription!

"Ayn, Nathan and Barbara"

In an exclusive interview, Barbara Branden speaks frankly about life with Ayn Rand and Nathaniel Branden (Rand's lover and Barbara's husband). She reveals for the first time intimate details of life inside Rand's circle. The fascinating topics include the weird psychological manipulations within the group, the expulsion of members in kangaroo courts, and Rand's fight in a posh Manhattan restaurant with Alan Greenspan, Chairman of the Federal Reserve.

Additional bonus with 2 year subscription

"What Libertarians Think"

The Liberty Poll examined everything from libertarians' political beliefs to their sex lives, from their education to their financial status, from their religious background to their intellectual development. And it's free, along with "Ayn, Nathan and Barbara," when you subscribe for 2 years.

Money Back Double Guarantee

1. We guarantee a full refund with no questions upon your request after you have received your first issue.
2. At any time during your subscription, we will guarantee a full pro-rated refund for any unmailed issues.

In any event, your free bonuses and first issue are yours to keep with our compliments.

R. W. Bradford
Publisher

Yes! I'd like to try **Liberty.** Please enter my subscription as follows:

- ☐ **Two Full Years: only $35.00,** 12 issues plus I'll receive **"Ayn, Nathan and Barbara"** *and* **"What Libertarians Think"**
- ☐ **One Full Year: $19.50,** 6 issues plus a free copy of **"Ayn, Nathan and Barbara"**
- ☐ My check is enclosed (payable to **Liberty**)

foreign subscriptions add $5.00 per year

Account # _____ expires _____

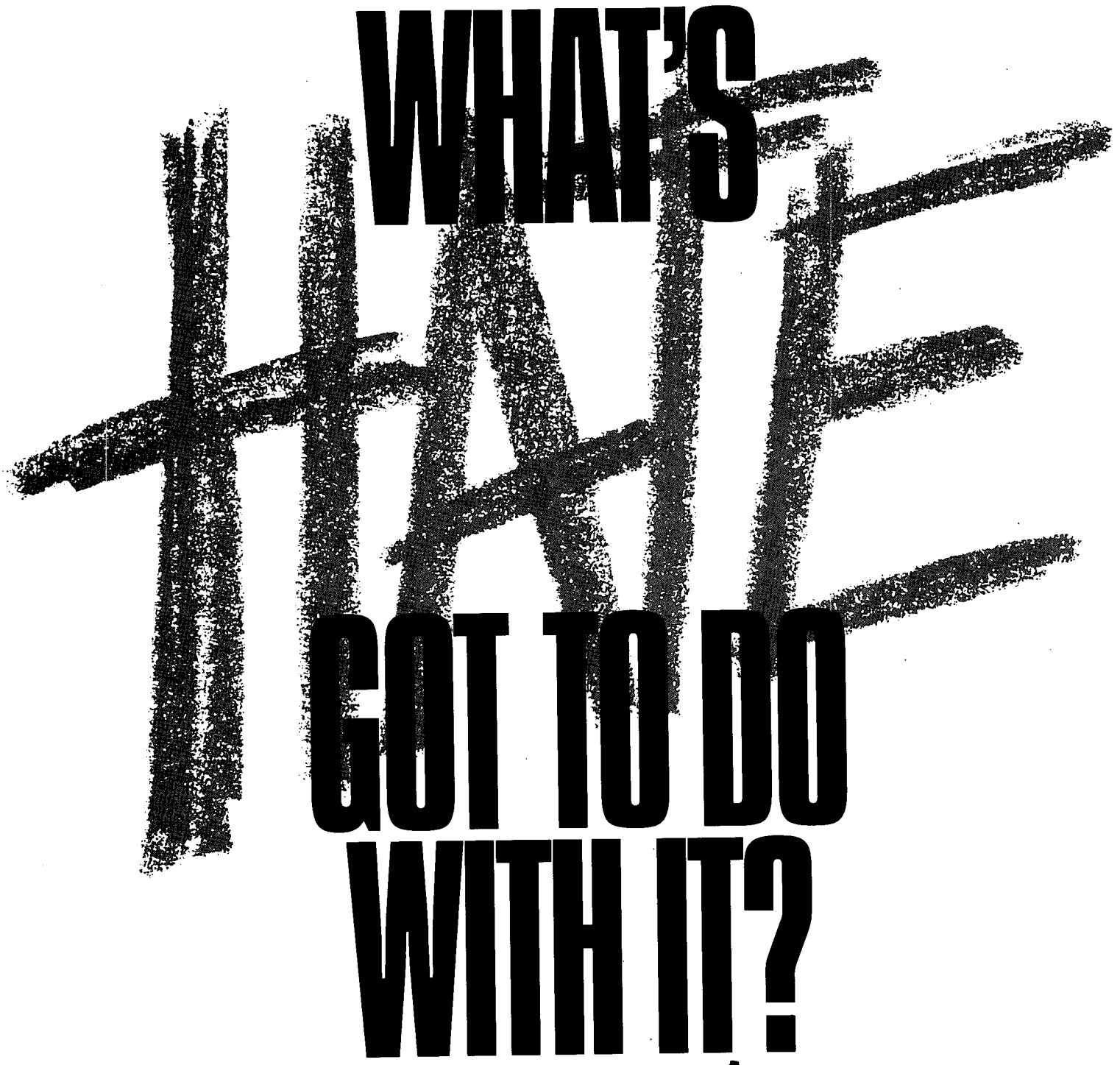
Signature _____

Name _____

Address _____

City, State, Zip _____

Send to: **Liberty,** Dept. S4, PO Box 1167, Port Townsend, WA 98368



WHAT'S HATE GOT TO DO WITH IT?

DO CRIMES OF BIGOTRY DESERVE EXTRA PUNISHMENT?

BY JACOB SULLUM

On a Saturday night in November 1988, three skinheads, all members of a group called East Side White Pride, were cruising the streets of Portland, Oregon, when they saw three Ethiopian immigrants. Shouting racial epithets, the skinheads leaped from their car, clubbed the Ethiopians with a baseball bat, and kicked them with steel-toed boots. One of their victims, Mulugeta Seraw, died a few hours later.

In July 1989, two white men in Raleigh, North Carolina, murdered Jim Loo, a 24-year-old Chinese-American, attacking him with the butt of a gun and a broken bottle. The men said they did not like "Orientals."

In September 1990, reports *National Journal*, a group of assailants in Kentucky "beat a gay man with a tire iron, locked him in a car trunk with a bunch of snapping turtles and then tried to set the car on fire. He was left with severe brain damage."

When you read about incidents like these, it's easy to understand the appeal of hate-crime laws. In recent years all but four states have adopted such laws, most of which raise the penalties for existing offenses when they are motivated by bigotry. Supporters of hate-crime laws say they do not want to suppress speech or ideas—only a particularly dangerous kind of crime. Opponents argue that such laws punish what people say, think, and believe, in violation of the First Amendment.

The Supreme Court left this debate unresolved last summer, when it addressed the issue of hate-crime laws for the first time. In *RAV v. St. Paul*, the Court unanimously overturned a St. Paul ordinance that banned the display on public or private property of "a symbol, object, appellation, characterization or graffiti" likely to arouse "anger, alarm or resentment in others on the basis of race, color, creed, religion or gender."

The case arose after a teenager, Robert Viktora, burned a cross on the lawn of a black family in June 1990. In addition to charging him with assault under state law, the city prosecuted him under the hate-crime ordinance. And because that ordinance banned specific expressive acts—rather than simply raising the penalty for existing crimes—the Supreme Court's decision may or may not apply more broadly to "penalty-enhancement" statutes. Since the ruling, state supreme courts have overturned penalty-enhancement laws in Wisconsin and Ohio but upheld one in Oregon. So hate-crime laws, in their most common form, remain very much the subject of legal, political, and philosophical debate.

Like the prospect of Nazis marching in Skokie, this controversy has divided traditional defenders of the First Amendment. Many members of the American Civil Liberties Union favor penalty enhancement, although they oppose laws such as St. Paul's that criminalize expression alone. The union's national board is split on the issue, and state chapters have adopted conflicting positions.

This ambivalence was evident in the ACLU's mixed reaction to the Supreme Court's decision in *RAV v. St. Paul*. The organization applauded the result but faulted the majority's reasoning, which seemed to question the constitutionality of singling out acts motivated by bigotry.

"Any of the laws being passed by the state legislatures that treat crimes motivated by racial, ethnic, religious, or gender bias in a special way are now going to be vulnerable to constitutional attack because of this decision. That concerns us," ACLU attorney Loren Siegel told *The New York Times*.

But Kevin O'Neill, who wrote the Ohio ACLU chapter's brief against that state's law, has no such qualms. "Our basic concern about hate-crimes legislation in general, and Ohio's ethnic intimidation law in particular, is that it is an effort by government to punish people because of their ideas," he told a wire-service reporter, pointing out that each state ACLU chapter is autonomous.

Susan Gellman, a public defender who challenged Ohio's hate-crime law, notes that both sides of the debate are dedicated to the ideal of tolerance. "The difference is only in the level of focus," she writes in the *UCLA Law Review*. "The proponents of ethnic intimidation laws are focusing on individual intolerance, *i.e.*, bigotry; the critics are focusing on societal intolerance, *i.e.*, repression."

In fact, the penalty-enhancement approach was designed precisely to avoid First Amendment problems. The model statute developed by the Anti-Defamation League of B'nai B'rith, which most states have imitated, raises the seriousness of an offense when it is committed "by reason of the actual or perceived race, color, religion, national origin or sexual orientation of another individual or group of individuals." The model statute also boosts penalties for "institutional vandalism" and allows hate-crime victims to sue for special, general, and punitive damages.

Twenty-nine states have adopted penalty-enhancement laws since 1980, when Maryland became the first. The effect of such laws can be dramatic. In a case that led the Wisconsin Supreme Court to overturn that state's hate-crime law last summer, Todd Mitchell was convicted of aggravated battery after leading a group of blacks in a racist attack on a white teenager. Wisconsin's penalty-enhancement statute increased the maximum sentence for the crime from two to seven years, and Mitchell got four.

Legislatures passed these laws largely in response to lobbying by the ADL, which presented its first model bill in 1981. Lawmakers were also influenced by statistics suggesting that hate crimes were on the rise, coupled with publicity surrounding particularly egregious incidents. Both kinds of information are cause for concern, but they have limitations, and the conjunction of the two can be especially misleading.

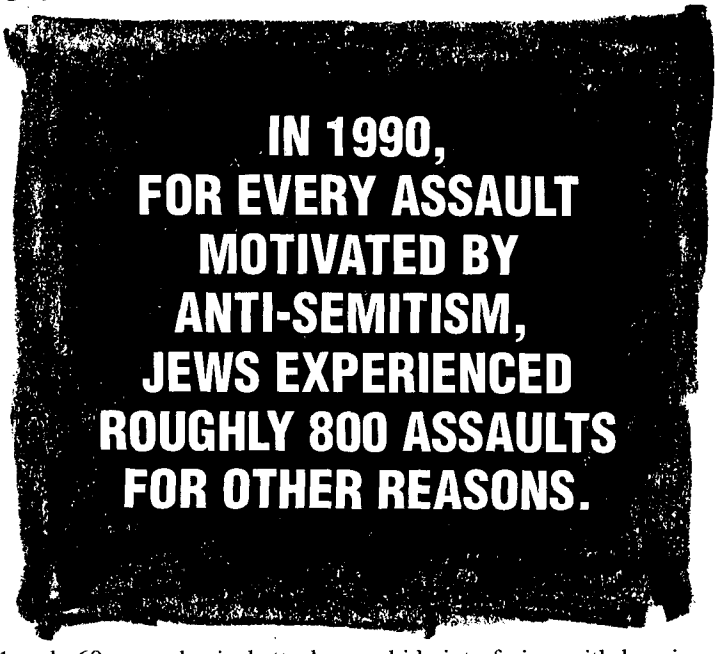
The ADL's annual audit of anti-Semitic incidents, begun in 1979, is probably the best-known nationwide indicator of hate crimes. Its numbers show a steady increase every year from 1986 (906) through 1991 (1,879). But since the ADL's audit is based on reports to its chapters throughout the country, these numbers are affected by changes in reporting behavior. The more people hear about hate crimes—including publicity about the audit itself—the more likely they are to report such incidents to the ADL or the police. This sets up a feedback loop in which one year's numbers push up the next year's.

And hate-crime numbers can go up when police departments change their classification methods. After passage of the

federal Hate Crime Statistics Act of 1990, for example, the New York Police Department broadened its definition of hate crime to meet federal reporting requirements. Originally, the department defined a hate crime as an offense in which bias is the prevailing motive; now it counts as a hate crime any act in which bias is *part* of the motive. So it's not clear to what extent hate-crime figures reflect an actual rise in incidents.

Plus, a single random event can skew the numbers, falsely suggesting an alarming nationwide rise. For example, the ADL counted twice as many anti-Semitic assaults in 1991 as it did in 1990. But all but a handful of the additional attacks were associated with unrest in Crown Heights, Brooklyn, following a car accident in which a Hasidic Jew killed a black boy. If that accident hadn't happened, the number of assaults would have been roughly the same.

Perhaps more disturbing than the raw numbers are stories about particular crimes, such as the skinhead attack in Portland or the gay bashing in Kentucky. On an emotional level, at least, cases of vicious beatings and senseless murders seem to bolster the argument for penalty enhancement. But their very brutality would merit additional punishment under ordinary criminal law, regardless of the reasons for the attacks.



And as horrifying as such crimes are, it's important to remember that they are very unusual. For example, of the 1,879 anti-Semitic incidents catalogued by the ADL in 1991, only 60 were physical attacks. The vast majority involved threats, harassment, or vandalism; many of the incidents were slurs or vague threats that would not even qualify as crimes.

It's also worth remembering how infrequent hate crimes are relative to other offenses. In 1990, the same year the ADL counted 30 anti-Semitic assaults, the Federal Bureau of Investigation counted nearly 1 million arrests for assault nationwide. Jews represent about 2.4 percent of the population, and let's assume they suffer a proportionate number of assaults. That means that for every assault motivated by anti-Semitism, Jews experienced roughly *800* assaults for other reasons (assuming that every assault led to an arrest).

By creating a distinction based on motive, hate-crime laws are bound to punish people based on their speech, since that is usually the only evidence of bigoted motivation. As the Wisconsin Supreme Court observed: "There are numerous instances where the statute can be applied to convert a misdemeanor to a felony merely because of the spoken word. For example, if A strikes B in the face he commits a criminal battery. However, should A add a word such as 'nigger,' 'honkey,' 'jew,' 'mick,' 'kraut,' 'spic,' or 'queer,' the crime becomes a felony, and A will be punished not for his conduct alone—a misdemeanor—but for using the spoken word."

Supporters of hate-crime laws recognize this concern. Joe Roy, chief investigator for Klanwatch, an organization that monitors hate groups, emphasizes that an epithet is not sufficient evidence of a hate crime. "Each particular situation has to be scrutinized by the investigating officers," he says. "There is a danger where somebody calls somebody a name, and the victim hollers, 'Hate crime!' "

The FBI's *Hate Crime Data Collection Guidelines* describe hypothetical cases to help police identify the real thing. For example, a purse snatching in which the thief knocks his Jewish victim to the ground and calls her a "kike" would not be reported as a hate crime. On the other hand, police should report a hate crime after investigating a case of synagogue vandalism in which the perpetrators destroyed religious objects and painted a swastika and the slogan "Death to the Jews!" on the walls, but did not steal anything.

Real-life cases are often more complicated. Dirk Roggeveen, a former U.S. Justice Department prosecutor who handled hate-crime cases, recalls a teenager whom the department considered charging under a federal law that forbids interfering with housing rights on the basis of race, religion, or national origin. The teenager had burned a cross in the driveway of a black family's home. But it turned out that he had a long-running feud with a member of the family, stemming from an incident in art class. (She had some disparaging things to say about one of his paintings.) Since then, they had been playing increasingly cruel practical jokes on each other, some of them involving racial elements.

"He burned a cross because he figured that would be the thing that would piss her off the most," Roggeveen says. But the department concluded that the boy had not intended to drive the family from the neighborhood; nor had he targeted the girl because she was black.

With such careful distinctions to be made, there's always the danger that less conscientious prosecutors might abuse their discretion. In any case that involves a slur or an element of bigotry, prosecutors can choose to bring hate-crime charges, automatically boosting the penalty that the defendant might face.

In 1991, for example, a police officer responded to a domestic disturbance at the home of Michael Hamm in Punta Gorda, Florida. "As I tried to make contact with Mr. Hamm," the

officer later reported, "he became verbally aggressive towards me and stated, 'I'll shoot you, white cracker.'" Hamm was charged not only with simple assault but also with violating Florida's hate-crime law, which boosted the maximum penalty he could receive from one year to three years. The charge was eventually dropped, but the case illustrates how police officers and prosecutors might use hate-crime laws to impose extra punishment on people who have offended them in some way—for example, by talking back to a cop.

Gellman, the Ohio public defender, warns that penalty-enhancement statutes are apt to result in arbitrary and discriminatory enforcement. She suggests they might even be used against political protesters, especially members of minority groups. "That's not what the legislatures have in mind when they enact these things," she says, "but I could see it being applied in a case like that."

Steven Freeman, the ADL's legal director, says the possibility does not worry him much. "Prosecutors still bear the burden of proving that the crime is bias-motivated," he says, "and I don't think that's so easy to do. It's not enough to say that this person is bigoted, and this person committed a crime." But Freeman is talking about the burden of proof in a trial, and most cases don't make it that far. Hate-crime laws can give prosecutors added leverage in plea bargaining, whether or not the charges would stand up in court.

POLICE OFFICERS AND PROSECUTORS MIGHT USE HATE-CRIME LAWS TO IMPOSE EXTRA PUNISHMENT ON PEOPLE WHO HAVE OFFENDED THEM.

The strongest argument for punishing hate crimes more severely than other crimes is that they do more harm, in the same way that armed robbery causes more harm than shoplifting and thus merits a greater penalty. "We can show that there's a greater harm to the individual, that other members of the target group who learn about [a hate crime] are intimidated by it, and that each one of these acts exacerbates the intergroup and racial tensions that are tearing this country apart," says Robert Purvis, administrative director of the National Institute Against Prejudice and Violence. "All of those things together spell out a very compelling state interest in targeting this particular kind of crime."

To back up his claim of greater individual harm, Purvis cites a nationwide telephone survey that his group conducted in 1989 using a random sample of more than 2,000 subjects. The study found that respondents who had been victims of violence motivated by prejudice were significantly more likely to report negative psychological reactions—including anger, greater nervousness, increased alcohol or drug use, and fear of sleeping alone—than were other victims of violence. But these feelings vary from case to case, individual to individual, and prosecutors, not victims, determine the charges in individual cases, making special hate-crime penalties a crude instrument for balancing punishment with harm.

In fact, the ADL's model hate-crime statute boosts the penalty range even when the perpetrator mistakenly thought his victim belonged to a certain group. In its 1991 status report on hate-crime statutes, the ADL describes a case in which a California family suffered through a two-year campaign of terrorism. A man wrote anti-Semitic graffiti on their home, sent them threatening letters, and burned small crosses in their yard. Later he attempted to burn their home down and fired shots through the kitchen window. He was prosecuted under California's religious-terrorism statute, among other laws. Yet it turns out the family was Catholic. Surely they suffered because of his crimes, but did they suffer more because he thought they were Jewish?

Hate crimes do tend to generate fear and discomfort among other members of the targeted group. When thugs attack a gay couple in Greenwich Village because they see them holding hands, for example, homosexuals feel especially threatened. But the degree of fear depends on the amount of publicity. Especially in the less dramatic cases that represent the vast majority of hate crimes—threats, graffiti, minor vandalism—the incidents may pass unnoticed by people who are not directly acquainted with the victims. Yet hate-crime laws enhance the penalties even for offenses that do not attract attention.

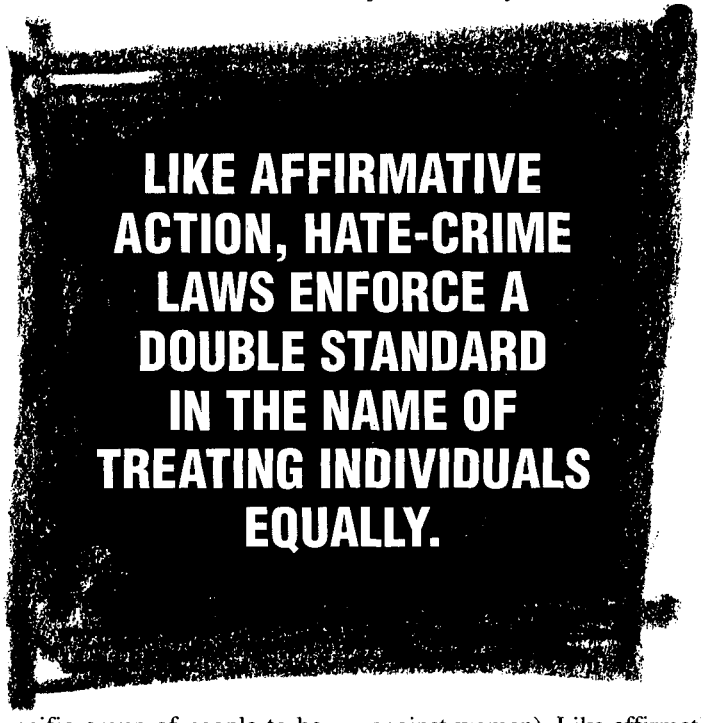
Nor is it clear that the concentrated fear caused by some hate crimes is worse than the more widespread fear engendered by ordinary crimes. "Why is it more terrorizing or socially destabilizing to stab someone because he is Jewish, for instance, than to stab someone for his sneakers?" writes Jonathan Rauch in *The New Republic*. "The former signals that Jews are in danger; the latter signals that everyone is in danger."

And the social effects of hate crimes are unpredictable. Such a crime may indeed increase ethnic tensions, but it may also bring a community together. Early one morning in November 1991, for example, 52 mezuzahs were stolen from the doorposts of dormitory rooms at Barnard College. "In a positive outgrowth of the incident," the ADL reports in its annual audit, "many non-Jewish students at Barnard expressed solidarity with the victims of the vandalism." And last March, after vandals broke into the office of a Moslem professor at the University of Southern California and spray-painted anti-Iranian slogans on the walls, a coalition that included Jews, blacks, and Japanese-Americans condemned the crime.

In any case, the acts that lead to the worst intergroup

tensions and violence need not be hate crimes. Ordinary street crime aggravates racial tensions, making middle-class whites fearful of young black men, who in turn resent the suspicion. And a community's response to an incident often hinges on public perceptions of motivation, which may be mistaken or unverifiable. In the Rodney King case, for example, the cops clearly did not beat him merely because of his race, since his two black companions were unharmed. Although many people suspected that King was beaten more severely than he would have had he been white, we will probably never know for sure. Yet that perception, coupled with the impression that the police officers would not have been acquitted had King been white, was enough to set off the L.A. riots.

Ultimately, hate crime laws are a way to teach people that bigotry is bad. That's why they concentrate less on specific harms to victims—which judges, after all, can consider in sentencing—and more on perpetrators' beliefs. The purpose of penalty enhancement, says the ADL's Freeman, is "to send a message that society is not going to tolerate crimes motivated by bigotry, that they're reprehensible."



Deanna Duby, deputy legal director of People for the American Way, says "the rationale behind hate-crime statutes generally has been the desire to make a statement that society sees any kind of crime based on hatred directed at a specific group of people to be particularly abhorrent." The court is saying that the criminal is wrong to be a bigot. But this is no different in principle from giving extra jail time to a member of Earth First! who sabotages a bulldozer because it is wrong to be an environmentalist.

The main principle underlying the First Amendment—that people should not be punished for their beliefs—is also a basic principle of justice in liberal societies. Our legal system distinguishes between acts and ideas. In the case of hate crimes, act and idea seem intertwined, so we tend to lose sight of the distinction.

But suppose the gay man beaten by bigots in Kentucky was instead a cancer researcher beaten just as brutally by animal-rights activists. Many of the same people who would demand extra punishment for the bigots would object to imposing extra punishment on the animal-rights activists. Yet the principle is the same.

One argument for special laws is that hate crimes otherwise might be treated less seriously than ordinary crimes, precisely because most people do not feel threatened by them or because the public is unsympathetic to their victims. Certainly this was the case for most of recorded history; consider the situation of Jews in medieval Europe or blacks in the old South. When the government was not actively persecuting them, it was turning a blind eye as others did. Hate-crime laws might be seen as a way of making up for that history, just as affirmative action is billed as an attempt to compensate for a history of government-enforced discrimination. (Although these laws officially protect everyone, the vast majority of hate crimes involve members of minority groups.)

But the promise of a liberal democracy is that members of minority groups will be protected from aggression, just like everyone else. If someone wrongs a Jew or a black, he will be punished just as severely as if he had wronged a Christian or a white—and his motivation, whether bigotry, greed, or simple viciousness, won't matter in either case. You correct unequal protection by making it equal, not by reversing it.

By punishing opinions, hate-crime laws institutionalize the very bigotry they seek to prevent: They treat some individuals as second-class citizens simply because of the ideas they hold. And they treat some targets, such as Catholic churches, as more important than others, such as abortion clinics (leading, of course, to the charge that vandalizing an abortion clinic is a hate crime against women). Like affirmative action, hate-crime laws enforce a double standard in the name of treating individuals equally.

It's hard to generate much sympathy for bigots. Perhaps for this reason, the arguments against hate-crime laws have focused on how they might hurt decent, tolerant, law-abiding people like you and me: the chilling effect, the slippery slope, and so on. While these arguments have merit, they leave the impression that hate-crime laws might be all right if we could avoid such side effects.

People find it hard to accept that penalty enhancement itself is unjust, because deep down they sense that a crime *is* worse when it's motivated by bigotry. This feeling is a healthy sign, because it shows that those who express it have rejected intolerance. We hate the crime more because of the idea it represents. It is right that we should, but it is wrong for the law to adopt the same attitude. ■

Jacob Sullum is associate editor of REASON.

The Sound of Great Ideas!®

The actual voices of... Joachim Fest • Idries Shah • Carl Rogers • Erich Fromm • Bruno Bettelheim • Noam Chomsky • Thor Heyerdahl • Ashley Montagu • Edward De Bono • Buckminster Fuller . . . and many others.

HEAR what these provocative thinkers have to say about self-discovery, the quality of life, the nature of the creative mind, changes taking place in the world today, and what you can do to bring about change.

There's a difference in **hearing** new ideas rather than simply reading them. The author is able to provide his or her unique emphases in ways impossible to accomplish in print. Pauses and tonal changes become meaning and create insights and increased understanding.

And audio cassettes provide a medium for learning experiences that can be shared simultaneously with someone else, thus encouraging immediate discussion and interaction.

Today's audio cassettes capture the inflections, nuances and flavor of the original speaker, and let you hear them over and over while driving, cooking, jogging, etc. Since some of these voices will never be heard again, here's your opportunity to savor the sound of great ideas that have shaped today's world, and to own these cassettes for your library.

From the more than 4,000 titles in the prestigious Audio-Forum Library, we have selected 26 extraordinary recordings. Imagine hearing these dynamic personalities in the intimacy of your own home! The regular price per cassette is $13.95. **But now for the special price of $9.95 you have the opportunity to listen whenever and wherever you choose. PLUS for every 3 cassettes you buy, we'll send you a cassette of your choice FREE!**

"The Sound of Great Ideas" from **Audio-Forum,** Room 2704, Guilford, CT 06437. (203) 453-9794

The 26 audio cassettes listed here were chosen by a panel of experts who were asked to select only tapes which would be timely and relevant. Each has passed the simple test of genuine interest: "Would you want to listen to this tape again?"

HEAR these famous speakers:

- **A** **Joseph Mazzeo:** *Machiavelli: Practical Politician or Devil?* (50 min.)
- **B** **W.H. Auden:** *The Poetry of W.H. Auden* (59 min.)
- **C** **Jacques Barzun:** *Present-Day Thoughts on Quality of Life* (31 min.)
- **D** **Bruno Bettelheim:** *Man's Identity in a Mass Society* (48 min.)
- **E** **Nathaniel Branden:** *The Concept of God* (88 min.)
- **F** **Peter Breggin:** *Raising Free and Happy Children* (61 min.)
- **G** **Jacob Bronowski:** *The Ascent of Man* (55 min.)
- **H** **Charlotte Buhler:** *Humanistic Psychology* (50 min.)
- **I** **Noam Chomsky:** *Government in the Future* (57 min.)
- **J** **Alistair Cooke:** *America: An Outside View* (55 min.)
- **K** **Edward De Bono:** *How to Change Ideas* (55 min.)
- **L** **Salvador DeMadariaga:** *The Myth of Disarmament* (24 min.)
- **M** **Joachim Fest:** *Hitler: A Personal View* (55 min.)
- **N** **Erich Fromm:** *To Have or to Be: The Nature of the Psyche* (56 min.)
- **O** **Buckminster Fuller:** *Twentieth-Century Renaissance* (55 min.)
- **P** **Thor Heyerdahl:** *Waters of the World* (58 min.)
- **Q** **Ashley Montagu:** *The Nature of Human Nature* (48 min.)
- **R** **Alan Paton:** *On Apartheid* (37 min.)
- **S** **Carl Rogers:** *Toward a Science of the Person* (65 min.)
- **T** **William Saroyan:** *The Real World of the Writer* (48 min.)
- **U** **Arthur Schlesinger:** *The Imperial Presidency* (56 min.)
- **V** **Idries Shah:** *Framework for New Knowledge* (44 min.)
- **W** **B.F. Skinner:** *Behaviorism at Fifty* (60 min.)
- **X** **Paul Tillich/Adela Rogers St. Johns:** *An Interview* (60 min.)
- **Y** **Alan Watts:** *Zen: The Eternal Now* (47 min.)
- **Z** **R. Ornstein & D. Galin:** *Our Two Brains: Rational & Intuitive* (56 min.)

"The Sound of Great Ideas"
I understand that for every 3 cassettes I order, I will get one FREE!

Please send me the following selections at $9.95 each plus $1.00 shipping charge for the first tape, and .50 for each additional tape. (CT residents add sales tax.)

For every 3 tapes paid for, I have selected a free one.

My selections: ◯◯◯ ◯◯◯

My free selection: ◯ ◯

☐ I am enclosing $1 for your Audio Catalog.

☐ Here is my cassette order; please send Audio Catalog free.

NAME (Print)

ADDRESS, APT #

CITY, STATE, ZIP

SIGNATURE

Total amount of order: $ _____
(Including tax and shipping)

☐ Check enclosed ☐ American Express
☐ MasterCard ☐ VISA
☐ Diners Club ☐ Discover Card

Expiration Date: _____

Card # _____

Mail To: AUDIO-FORUM®
Room 2704, 96 Broad St., Guilford, CT 06437
(203) 453-9794

WHAT SHOULD THE PRESIDENT READ?

It's the day after the presidential election. The winning candidate asks you to recommend three books to read before inauguration. Only one may be more than 10 years old. What do you suggest—and why?

Doug Bandow

What is so often lacking in American politics is a sense of history. Many politicians, and most disastrously a lot of presidents, seem to think that they can repeatedly "begin the world over again" irrespective of what has happened before. But history matters. Thus, Paul Johnson's *Modern Times: The World from the Twenties to the Eighties* should be on any president's reading list.

Modern Times provides an incisive and readable portrait of world events since World War I, a cataclysmic tableau that should be understood by anyone hoping to lead the nation toward the 21st century. What makes Johnson's work particularly compelling is his devastating critique of both relativism and statism. The 20th century has been the "age of politics," he writes, and the grand experiment has proved to be a disastrous failure. As he observes: "The state had proved itself an insatiable spender, an unrivalled waster. Indeed, in the twentieth century it had also proved itself the great killer of all time." *Modern Times* might help officials at all levels learn not to look to politics—and ever newer and more expensive government programs—as the solution to today's problems.

What should government do? For the answer to this question the president should peruse Charles Murray's *In Pursuit: Of Happiness and Good Government.* Rather than provide a laundry list of "good" and "bad" programs, Murray delves deeper, arguing that the only appropriate role of the state is to promote people's "pursuit of happiness," that is, he writes, to enable them "to go about the business of being human beings as wisely and fully as they could." That, he finds, is most likely to occur if the government does not interfere with private economic and social interaction, especially the operation of the "little platoons" so active in America.

Indeed, he concludes that government social policy has to be ultimately judged by its impact on the functioning of private society. The state has some duty to help the "little platoons" by, for instance, preventing crime, but, Murray argues, there must be a "stopping point" beyond which government does not try to supplant private efforts. He rightly concludes that people's "satisfaction depends crucially on being left important things over which we take trouble," something recent Congresses and presidents have increasingly failed to recognize.

Also on the president's bedstand should be Richard John Neuhaus's *The Naked Public Square: Religion and Democracy in America.* The role of religion in the United States is a controversial one; some of the bitterest issues that a president confronts involve church-state relations. Neuhaus's thoughtful analysis should help the reader avoid both extremes: the

sterile, even dangerous "naked public square," with religion banned from communal life, and the incestuous, equally dangerous union of church and state, with clerics and politicians allied for any number of dubious ends. What we need, Neuhaus argues, is a rearticulation of "the religious base of the democratic experiment." *The Naked Public Square* will help the president understand how he can simultaneously welcome religious values in the public debate and resist clerics who reach for the levers of power.

Contributing Editor Doug Bandow is a senior fellow at the Cato Institute and the author of The Politics of Plunder: Misgovernment in Washington *and* Beyond Good Intentions: A Biblical View of Politics. *He formerly served as a special assistant to President Reagan.*

☆ Robert L. Bartley

Every president for at least two decades has been blindsided by powerful international economic forces that few of us begin to comprehend and that most of us don't even begin to recognize. To start to grasp the real meanings of global interdependence, a president ought to read Kenichi Ohmae's *The Borderless World* (Harper Business/HarperCollins, 1990) and Walter Wriston's *The Twilight of Sovereignty* (Scribner's, 1992). For a sense of what can happen if you get these matters wrong, he could dip back into the interwar period for John Maynard Keynes's *The Economic Consequences of the Peace* (London: Macmillan, 1920). And he ought to ask his new treasury secretary to read all of them twice.

Robert L. Bartley is the editor of The Wall Street Journal *and the author of* The Seven Fat Years: And How to Do It Again *(The Free Press).*

★ Clint Bolick

Unless Frank Zappa experiences an unexpected electoral surge, it looks like our next president will need guidance not only in public policy but in the style of governance. No one personifies passionate and principled leadership better than Václáv Havel, and his *Summer Meditations* should top the president-elect's reading list.

Havel is the most heroic political leader to emerge on the world stage in recent years, and his life is an example of what it means to stand for something. His elegant and dignified leadership style stands in stark contrast to the frenzied arm waving and demagoguery that dominate American politics.

"Though my heart may be left of centre," Havel declares, "I have always known that the only economic system that works is a market economy," for "it is the only one that reflects the nature of life itself."

Yet the task of building a "state of ideas" is not one of ideology, Havel insists. "Something more is necessary. For the sake of simplicity, it might be called spirit. Or feeling. Or conscience." Havel's introspections could go far in helping our own president rediscover the principles and spirit that made our nation great.

Turning to policy, no issue bodes more ominously than the future of American education. With the collapse of communism in Eastern Europe, the most brazen example outside China of unreconstructed socialism in the world today is America's public-school system. The primary victims are millions of low-income youngsters who are consigned to inner-city educational cesspools and lack access to the most basic skills necessary for responsible citizenship and productive livelihoods.

John Chubb and Terry Moe's *Politics, Markets & America's Schools* establishes convincingly that more spending and superficial tinkering will not cure the ails of public schooling. Rather, the flaws are inherent in a highly bureaucratic system driven not by consumer satisfaction but by special-interest politics. Nothing less than full-scale market competition and a transfer of power from bureaucrats to parents, Chubb and Moe demonstrate, will accomplish the goal of equal and high-quality educational opportunities.

But let's get real. We're dealing here with an American president. So my go-for-broke selection is *The Little Red Hen*, the perfect presidential bedtime story that says it all. Ms. Hen, one of the great feminist heroes in popular literature, asks her barnyard neighbors to help her harvest wheat and bake bread. "Not I!" they all respond. But in the end, they all want to share in the fruits of Hen's labor. Think again, cackles the red-feathered fowl.

Hen rivals Charles Murray's works as a scathing indictment of the welfare state and offers a stirring moral defense of free trade and private property. Eight-year-old writer and paleontologist Evan Bolick told me he was persuaded. Maybe it will persuade a president too.

Clint Bolick is litigation director at the Institute for Justice in Washington and author of the forthcoming Grass Roots Tyranny and the Limits of Federalism.

☆ David Brudnoy

We may well never again have a president as plain-spoken, as unaffected, and as little disposed to bend with the winds (and whims) of fashion as Harry Truman, whose (very likely) definitive biography has been written by David McCullough. *Truman* (Simon & Schuster, 1992) is old-fashioned history, meaning that it tells us what happened, when, why, and where, and leaves to our own ruminations the deeper meanings of happenings. Truman's Fair Deal liberalism may not be everyone's idea of the perfect political philosophy, but it was grounded on a consistent theory of government as enunciated by an honest man.

Rising from provincialism to competence in personal and professional life, avoiding the taint of his machine-politics

sponsors, studying the issues and concluding what by his lights was the best course, Truman did what he believed needed doing, growing nobly into the office that was thrust upon him. He was sometimes gawky in his bluntness, but he stood for something and Americans knew where we stood with him. To him, even before his victory in the great upset of all time, polls were nonsense, all save the poll on election day. To read *Truman* is to see what we're missing in the White House.

If we are not to be gobbled up entirely by an ever-growing fraction of the American people who are somehow on the dole, we had best get a handle both on expenditures in the "entitlements" category and on the reasoning, or lack thereof, that got us into this mess in the first place. No one has better analyzed the matter than Charles Murray, whose *Losing Ground: American Social Policy 1950-1980* (Basic Books, 1984) puts firmly into perspective the gross social (as well as economic) effects of the Great Society of Lyndon Johnson and its, and its successors', perhaps well-intentioned but nonetheless woeful enlargement of the proto-welfare state. A decade of intelligent analyses along similar lines has subsequently emerged; all owe their initial insights to *Losing Ground.*

The tragedy of what was Yugoslavia; the splintering of what was the Soviet Union; the halving of Czechoslovakia; the francophone separatism in Canada; tribalism in black Africa; and a score of other recent and hundreds of long-standing ethnic and racial conflicts worldwide demonstrate the bankruptcy of the notion of multiculturalism. Mexican irredentism in our own Southwest, the on-going crisis of Haitians seeking asylum in the United States, and the craze for Afrocentric "education," to name just a few domestic instances, signal our own suicidal path if we don't snap out of the mentality that embodies the banal truism that "we're a nation of immigrants so no limits on immigration are just."

Jean Raspail's *The Camp of the Saints* (Scribner's, 1975, originally published in French in 1973, English translation by Norman Shapiro) creates in fiction a chilling dilemma: What will the advanced portion of the world do when the Third World claims a "right" to occupy Western lands without limit? On the one horn of this dilemma is the seeming cruelty of our recent policy of turning away the Haitians; on the other, to use words from the book jacket itself, is "the end of the white world."

Romantic sentimentality notwithstanding, our current policy merely advances the date by which we will be obliged to choose. *The Camp of the Saints* confronts our president for the mid-1990s with the bitter alternatives. At present our immigration "policy" is inertial and our internal posture vis à vis bilingualism and multiculturalism are morosely tepid.

*Contributing Editor David Brudnoy is New England's leading nighttime radio talk host (*WBZ-AM*) and a commentator on the region's leading TV station (*WCVB-TV*).*

★James M. Buchanan

My recommended selection emerges from an initial concentration on the issues that the incoming president in 1993 needs to understand. These issues are, first, the overextension of politics and the apparently inexorable tendencies for this extension to proceed unchecked. Although his model of politics is not fully congruent with modern public choice, Anthony de Jasay's book, *The State* (Blackwell, 1985) does capture the dynamics of government growth in this century. I recommend this book as a precautionary tale.

A more specific issue, which is itself derivative from the larger one, is the apparent inability of post-Keynesian Western democracies to escape from the regime of continuous, and accelerating, budget deficits. Cole Brembeck's *Congress, Human Nature, and the Federal Debt* (Praeger, 1991) discusses the origins, the implications, and the consequences of the deficit regime.

Any appreciation of the overreaching of politics must be accompanied by an understanding of how markets can provide nonpoliticized alternative solutions, even if, in many cases, organizational judgments must be made by pragmatic comparisons between an imperfect politics and an imperfect market. David Friedman's short book, *The Machinery of Freedom* (first edition, Harper, 1973; second edition, Open Court Press, 1989), should be required reading for all those whose natural proclivity is to turn to government as the solution. The president must, somehow, absorb Ronald Reagan's basic vision that politics is the problem, not the solution.

James M. Buchanan is Harris University Professor at George Mason University and the 1986 Nobel laureate in economics.

☆Craig M. Collins

Political "lifers" like Bush and Clinton don't need to read. Their ambition is to win elections. Having won, they do not need to know more.

To avoid dissolving completely into cynicism, however, I try to believe that mixed up with their selfish motives are traces of a desire to further the public good—so long as it doesn't hurt them politically. For those rare occasions when they have an opportunity to do good, I suggest they read Richard Posner's *Economic Analysis of the Law* so they will know what to do. Posner minutely details the complex interconnectedness of laws and their many unintended effects.

Richard Epstein's *Takings* shows how we have socialized private property into near extinction. He generally concludes this was not a good thing.

Finally, Julian Simon's *The Economic Consequences of Immigration* shows that it was no accident that vigorous economic growth in this country occurred coincident with a significant influx of immigrants.

Teaching politicians the right thing to do is not the same as convincing them to do it. They well know their interests are vested in the present system of buying votes by reallocating property. For that to change, the public must first become aware of the corrupting effect of this system. This public awareness will not depend on which books the president reads. It will depend on which books the rest of us read.

Craig M. Collins, a former REASON *assistant editor, is an attorney in Santa Monica, California, specializing in property law.*

Steven Hayward

The problem of modern democratic government is not simply a tendency to bad policy; it is also that most modern politicians do not have a sufficient understanding of or respect for democratic institutions and procedures. A deeper understanding of the principles of limited government goes hand in hand with better policy. Hence what is most needed is remedial reading.

It may be wildly naive to suppose that, at the threshold of the Oval Office, our nation's pre-eminent political figure can be taught anything meaningful, but here goes. My first book is what I call "the owner's manual to the U.S. Constitution," *The Federalist*. Why not? Although it is true that these essays were the product of a partisan campaign, and are written in an unfamiliar idiom, there is nevertheless a carefully worked out theory of how our constitutional form of government should work. A president will learn as much from Publius's errors of judgment as from his wisdom. *The Federalist* shines especially brightly on the current problems of separation of powers, legislative and executive prerogative, and judicial review.

My second recommendation is Harvey C. Mansfield Jr.'s recent collection titled *America's Constitutional Soul* (Johns Hopkins University Press, 1991). In addition to Mansfield's always learned reflections on the state of constitutionalism and party politics in America, there are chapters analyzing the last four presidential elections, from which a president will learn that the distinction between politics and policy, between campaigning and governing, is false and pernicious. Mansfield's serious treatment of and obvious respect for the political ability and achievements of Ronald Reagan are a nice antidote to the standard cliches against Reagan.

My third recommendation is Jeremy Rabkin's *Judicial Compulsions: How Public Law Distorts Public Policy* (Basic Books, 1989). This may seem like an odd or narrow pick for a president's short reading list. But *Judicial Compulsions* focuses attention on a major crisis within our government that isn't receiving adequate attention and that impinges directly on a president's ability to administer the executive branch. Administrative law has become subject to a regime of judicial activism directed chiefly by special-interest litigation. What this means is that neither the executive branch nor the legislative branch is really in control of policy. The point is, limited government and the rule of law require a properly limited judiciary, and the president who understands this and sets out to tame the judiciary will render the republic a noble service. And the judiciary will probably be easier to tame than Congress.

Contributing Editor Steven Hayward is the research and publications director of the Pacific Research Institute in San Francicso.

Thomas W. Hazlett

In the 1988 V.P. debate an uppity journalist asked J. Danforth Quayle what recent book he had enjoyed reading. A bit of tension ensued, as America experienced a collective moment of embarrassment. To his staff's credit, Quayle had the name of some erudite tome at the ready. This put that pipsqueak reporter in his place (especially since the debate format allowed no time-out in which to test the senator's comprehension coefficient). While I have no staff (not counting my laptop), I have been given advance warning of the question: Which three marvelous books should the new president read?

1. Hedrick Smith's *The Power Game* (1989). This artistic hunk of applied political science describes the sources and uses of political clout in Washington, revealing everything Jimmy Carter should have known but was afraid to ask about the national government. Those boneheads who believe that the pols are crazy and that things get screwed up because we don't have enough smart, good citizens in Washington simply don't see what Hedrick Smith knows: Things happen in government for good reason (even if the results for the lowly American taxpayers are ugly).

"Some like to say that the power game is an unpredictable game of chance and improvisation," writes the *New York Times* reporter. "But most of the time politics is about as casual and offhand as the well-practiced triple flips of an Olympic high diver." Filled with insights (example: "Congress has a stake in the *in*efficiency of federal bureaucrats: It lets their staffs become important fixers...."), this volume is an excellent substitute for a Ph.D. at the Kennedy School for a busy chief executive on the go.

2. Ithiel de Sola Pool's *Technologies of Freedom* (1984). A masterful treatise on the evolution of free speech, this book explains how the opportunities for greater liberty afforded by the revolution in computer intelligence may be sabotaged by the political ghosts of censorship past. The American tradition broke historic new ground in moving firmly away from the stultification of a government-licensed press, yet our First Amendment rights have gone into retreat with the emerging electronic communications media.

This uncivil rejection of our libertarian values is all the more ironic in light of the immense possibilities for genuinely democratic free speech that the new technology has given us. Our

transition from a press of newsprint to one of electronics is now a century along; computer technologies are stupendously accelerating the passage. Yet our law and institutions have strangely afforded smaller scope for freedom to the newer forms of speech than to the old, a delineation that makes poor sense legally and no sense technically. (It makes perfect sense politically; see Hedrick Smith, above.) Pool, the late, famous professor of political science at MIT, reminds us of our magnificent heritage as the world's freest speakers nestled happily under the protections of the Constitution's First Amendment. Upholding such, Mr. President, will be your job.

3. Robert Caro's *The Years of Lyndon Johnson* (either of the two volumes out now, or of the two due out soon). Caro's due diligence turned up the dirt on President Johnson, years after the legends (promulgated by the fearsome commander-in-chief himself) had been swallowed whole by journalists and biographers alike. Read Caro on Johnson and you will know a scoundrel. In glorious detail and riveting prose. Yecccckkkkk! An odious perversion of public power on display for all the world to see. Can this massive dose of posthumous public shame inoculate our future president from hubris disease? Let us hope. Please read Robert Caro and remember: Someone *will* be watching. Closely.

Contributing Editor Thomas W. Hazlett teaches economics and public policy at the University of California, Davis.

David R. Henderson

Mr. President, you need three main things from your reading. First is a sense of what people's rights are and how a just government should treat them. Second is a basic understanding of how the world works. Third is a perspective on the 1980s. The following list meets the bill, to the extent any three books can.

1. Richard Epstein, *Takings: Private Property and the Power of Eminent Domain.* This book by a law professor starts from each person's right to his or her own body and ends up showing, on that basis, that government has no right to take people's property without just compensation. Epstein then shows, with flair and buzzsaw logic, that the Fifth Amendment's ban on takings without just compensation invalidates most zoning laws, all price controls, "progressive" taxation, and most government spending.

2. Paul Heyne, *The Economic Way of Thinking.* Because understanding how the world works requires a basic understanding of economics, I recommend this introductory textbook. It lays out beautifully how cooperation among people works in a free-market economy. It gives you a basic understanding of how a price system works, and works magnificently, to turn conflict into harmony. Among other things, Heyne's book shows why free trade makes both sides better off and how price controls cause destruction.

3. William A. Niskanen, *Reaganomics.* You cannot understand the 1980s without understanding what economic policies were and what effects these policies had. Niskanen, even though a Reagan partisan, gives the most even-handed treatment of Reagan's economic policies available. Indeed, Herb Stein, no partisan of Reagan himself, called Niskanen's book, "a lucid analysis of Reagan's economics by that rare creature, an objective insider." Lou Cannon, a "liberal" *Washington Post* columnist, called Niskanen's book, "a definitive and notably objective account of administration economic policy." Niskanen tells the good—some budget cuts, large cuts in marginal tax rates, and a substantial reduction in inflation—along with the bad—failure to get spending under control, huge deficits (caused by the failure to control spending), and protectionist trade policies. Niskanen also gives a sense of the relative importance of various economic issues.

Contributing Editor David R. Henderson is an associate professor of economics at the Naval Postgraduate School in Monterey and editor of The Fortune Encyclopedia of Economics *(forthcoming in 1993). He was previously a senior economist with President Reagan's Council of Economic Advisers.*

Rick Henderson

The health of the economy will be the most important issue the next president will address. Effective economic policy is no longer a purely domestic matter. It requires a global view.

Economists Richard McKenzie and Dwight Lee recognize this. In *Quicksilver Capital: How the Rapid Movement of Wealth Has Changed the World*, they say that the information revolution allows nations, not just local regions, to compete for investments in capital and labor.

Fifty years ago, F. A. Hayek argued that central planners never possess enough information to efficiently direct economic activity. Back then, when planners tightened their grip on entrepreneurs and employees, those people suffered. Now, say McKenzie and Lee, capital can (and does) move faster than central planners can try to manipulate it. Policy makers who try to increase taxes and regulations will find their capital bases moving to more hospitable climes. The authors also insist that, so long as government remains intrusive, no amount of "investment" in worker retraining and public works can prevent private capital from fleeing. There's plenty here for either George Bush or Bill Clinton to chew on.

The president will also face a nation with decaying cities, disintegrating families, and a breakdown of what European liberals call "civil society"—the informal network of neighborhoods, churches, and other voluntary arrangements that (besides work) provide meaning and relevance to people in their everyday lives. Charles Murray's *In Pursuit: Of Happiness and Good Government* argues that government attempts to replace that voluntary sphere in poverty-stricken

areas have had disastrous consequences.

How, Murray asks, can a person with little education or few skills find fulfillment? As a good neighbor, an effective parent, or a valued friend. If the government is incapable of keeping the streets safe enough for children to walk to school, neighborhoods—in any meaningful sense—can never come into being. Government can set the conditions that allow these bonds to form, for instance, by making neighborhoods safe. Otherwise, Murray says, it should get out of the way. A president who pays attention to *In Pursuit* could give millions of despairing Americans a chance to start working through these difficult times.

If Charles Murray provides theoretical justification for the importance of neighborliness, John Shelton Reed tells you how much fun it is to be a good neighbor. In *Whistling Dixie: Dispatches from the South*, the University of North Carolina sociologist spells out why minor-league baseball games, church picnics, and fishing trips are important.

Even though he calls himself a "crypto-semi-neo-Agrarian," Reed is not an enemy of modernity, he is no apologist for the Jim Crow days, and he doesn't imagine that everything was perfect 40 years ago. But he is onto something: Not so long ago, life was more civil. And (I would argue) we've lost much of that civility because we expect politicians and bureaucrats to solve every problem that comes our way.

John Shelton Reed and Charles Murray would probably agree about many things. The next president would be wise to listen to what they have to say.

Rick Henderson is Washington editor of REASON.

Karl Hess

Because the next U.S. president will face crucial decisions about abandoning or restoring a republican form of government, it is urged that he read two current books—*In Pursuit: Of Happiness and Good Government*, by Charles Murray (Simon & Schuster, 1988), and *The Disuniting of America*, by Arthur Schlesinger Jr. (W.W. Norton, 1992)—and the somewhat older *The Institutional Imperative*, by Robert Kharasch (Charterhouse Books, 1973).

Murray's book can take its place as the peer of any book ever written on the nature and propriety of government—not as an ideological treatise but as a careful questioning based on only one assumption: that the pursuit of happiness, person by person, is in fact why our own government, an epic and historic innovation, was created and constitutionally constrained. Murray writes about people, not society, and makes the difference crystal clear. His book is a guide to the preservation of liberty, which, in turn, is the essential condition for the pursuit of happiness. The next president, being a representative of some faction or another of exactly the sorts warned against in *The Federalist Papers*, probably will find Murray's book intolerable. Alas.

Because the next president will serve during a time when the factions will have developed their own special languages—and possibly will even have been elected by echoing special vocabularies—the Schlesinger book is a superb reminder of the success up until now of the melting-pot dynamics of the country that still remains the preferred destination of so many immigrants, legal or not. When people vote with their feet, they generally vote American, no matter the politically correct position of blaming America for most, if not all, the world's ills. The Schlesinger book is particularly impressive as a counter to anti-American slanders because of the author's long and honorable representation of the modern liberal position. In this book he even sounds a bit like a classical liberal.

The Kharasch book is one of those overlooked gems that can make your day when you find a copy on a shelf of used books. It is a lighthearted but actually most serious look at how bureaucracies operate. The Iron Law: Bureaucracies exist in order to exist, no matter their publicly stated goals or roles. Because the next president will be in large part ruled by the demands of the bureaucracies, this book is an essential guide to the facts behind the factions. It also presents serious recommendations as to how the bureaucracies could be tamed. An example: No agency authorized to *declare* an emergency should also be authorized to *manage* it.

Karl Hess is a writer living in Kearneysville, West Virginia.

John Hood

Despite the pandering rhetoric of the election campaign, foreign policy remains the first and foremost duty of any president. To fulfill that duty, our new president must first have a solid understanding of the century's worldwide conflicts, both their historical roots and their significance for future policy making.

If the rise and almost-fall of totalitarianism demonstrates anything, it is the principle that "ideas have consequences," as do idea makers. Intellectuals, far from being cloistered agents of learning and discourse, ultimately determine the course of human events—by creating rabid, revolutionary movements with millions of victims, or alternatively, by constructing a philosophical framework for protecting liberty. Leaders ignore the life of the mind to their peril. Today's philosophy students can be tomorrow's Khmer Rouge or Shining Path. Today's mild-mannered professor or author can be tomorrow's Karl Marx or Abimael Guzman.

Paul Johnson's *Modern Times: The World from the Twenties to the Eighties* demonstrates that the conflicts and catastrophes of the century have their roots in intellectual trends. The new president must understand the importance of ideas, of philosophy, and of rhetoric, if he is to lead his nation out of its current post–Cold War torpor. Ronald Reagan, despite policy miscues,

will always be counted as among the greatest of our presidents because of his implicit understanding of the power of ideas (gleaned, perhaps, from his career as an actor—a field not too distant, in many ways, from that of rhetoricians and scholars).

More specifically, the new president must thoroughly understand why Marxism failed, both as a political system and as a system of economic, psychological, and cultural insights. Reading Thomas Sowell's *Marxism: Philosophy and Economics* would be an excellent start.

For a little light reading, I'd advise my president to read the plays of Shakespeare—particularly *Hamlet*, *King Lear*, and *Julius Caesar*—for their insights into human action and the nature of leadership. Both George Bush and Bill Clinton escaped the American education system before its demise and thus have no doubt read these works. But Shakespeare is best savored, not simply skimmed. And if all the world is indeed a stage, then the next president of the world's only superpower will play the lead. He had best memorize the right lines.

Contributing Editor John Hood is editor of Carolina Journal *and a columnist for* Spectator *magazine in Raleigh.*

F. Kenneth Iverson

The president should read:

Trashing the Planet, by Dixy Lee Ray with Lou Guzzo. A well-known scientist gives an even-handed, common-sense perspective on environmental issues. It avoids the distortions and hysterical rhetoric that seem to be the order of the day.

The Fair Trade Fraud, by James Bovard. The author provides an in-depth look at our chaotic trade laws, which give incompetent industries an entitlement to milk the American consumer. *The Fair Trade Fraud* is the frightening story of the 8,000 tariffs and 3,000 quotas that restrict foreigners' rights to sell and American citizens' right to buy, and the description of an area where clearly the government has invaded the rights of the individual.

The Next Century, by David Halberstam. A short book by a thoughtful observer of society on our problems and the changes we need to make a better tomorrow.

F. Kenneth Iverson is chairman and chief executive of Nucor Corp.

Elizabeth Larson

Set in South Africa half a century ago, Alan Paton's deeply moving tale, *Cry, the Beloved Country* (1948), is both a tragedy, in the classical meaning of the word, and a paean to the human virtues and dignity sadly lacking in much of American society today. Many nonfiction works have been written in recent years decrying the effects of the welfare society and the cult of victimization on personal morals and responsibility. For all their careful analysis, documentation, and statistics, however, none of those books brings home to the reader as Paton does the evil of abdicating individual responsibility and the human dignity of those who willingly live, and die, as a result of their actions.

A sidelight to Paton's central tale of a simple Zulu pastor and his wayward son is the story of the pastor's village—the land overworked and infertile and the people despondent. A wealthy white man arrives one day with plans to reverse this "tragedy of the commons" by dividing the land among the villagers. The right to private property is the subject of the other two books I suggest for our incoming president: *Free Market Environmentalism*, by Terry L. Anderson and Donald R. Leal (1991), and *Takings: Private Property and the Power of Eminent Domain*, by Richard Epstein (1985).

Anderson's and Leal's environmental reader is the most important book for any political leader surrounded by aides, policy makers, and green advocates claiming that only the government can remedy environmental "crises." While other free-market environmental books are essential resources for information on specific environmental problems and why government "solutions" have made them worse, *Free Market Environmentalism* provides the fundamental principles used by every free-market environmental writer. Anderson and Leal explain, with many historical examples, that environmental problems can be solved by providing the right incentives to the people involved and by letting human initiative, not government mandates, take charge.

Particularly in light of recent battles between property owners and environmental activists over the "taking" of private property by restricting an owner's use of his land, Epstein's authoritative analysis of the concept of eminent domain restricted in the Constitution is the most important work on the subject available. The deceptively simple questions Epstein considers (What is a taking of property? Do current regulations—say, zoning or rent control—fall into that category?) ought to be posed to every policy maker from the president to your local zoning board—and, unfortunately for the security of property rights in America today, almost never are. A new president couldn't have a better foundation upon which to build his presidency than a profound respect for what the Founders considered one of the inalienable rights of women and men.

Elizabeth Larson is REASON*'s production editor.*

Laura Main

Our nation's problems stem from an internal sort of cancer—call it lack of "family values" or, to be blunt, simply a lack of values. It touches every segment of our country, from crime on our streets to the well-being of our businesses, and it has very little to do with having children out of wedlock.

Even with large segments of the population receiving some sort of government aid, we still find a nation in the grips of so-called

poverty. The book that blows the lid off the ineffectual hand-out system is Charles Murray's *In Pursuit: Of Happiness and Good Government*. Murray quite graciously touches on every foundation that every individual needs to find true happiness—self-respect, education, a functional community, and family—and how our present system is providing everything but that. Everyone should read this book, not just the next president.

So that our president will further his understanding of the need for true self-esteem (not the pop version), I would recommend *The Psychology of Self-Esteem*, by Nathaniel Branden. And last, but not least, *A Bend in the River*, by V. S. Naipaul, to illustrate the negative effects of populating cities and towns with innumerable government employees ignorant of what a town truly is and what it means to be a citizen in one. A mere facade of freedom and prosperity, orchestrated by an irresponsible government, can only result in one thing: barely surviving in a jungle.

Laura Main, a former art director for REASON, *is an artist and graphic designer in Los Angeles.*

Donald N. McCloskey

If a president reads anything longer than 50 pages containing an argument, it's good news. Presidents—of universities and of companies as much as of the United States of America—have to be quick reads. But too much quick reading makes Jack a superficial boy. It makes him an arrogant boy, too, a Ross Perot, unaccustomed to the modesty of quiet listening. To read a good book with an argument you have to shut up and listen for a few hours, or you're not going to get it. The executive summary won't do. The last long-reading president was Harry Truman. Asked in his old age whether he liked to read himself to sleep he shot back, "No, young man: I like to read myself *awake*."

One book for the awakening would be Eric Hoffer's *The Temper of Our Time* (reprinted in 1992 by Buccaneer Books). Hoffer, who died in 1983, leaving 10 of these short but luminous books, was a San Francisco longshoreman and sage. He received no formal education, seizing it instead from libraries and bookstores on his way to pick fruit or offload cargo. He wrote in aphorisms, which make his books readable in rest periods from working out the schedule for the White House tennis court. Though a worker, Hoffer supported capitalism; though a thinker, he distrusted intellectuals. "In politics, the intellectual who as a 'man of words' should be a master in the art of persuasion refuses to practice the art once he is in power. He wants not to persuade but to command." A president should know that; Hoffer knew it at the height of American social engineering.

After Hoffer's aphorisms, try a sustained historical argument, from J. R. T. Hughes, a great economic historian at Northwestern who died this year prematurely: *The Governmental Habit: Economic Controls from Colonial Times to the Present* (new edition, Princeton University Press, 1991). From Hughes the president can learn the unhappy fact that we have always liked to interfere, we American individualists. Should "deregulation" be turned back by the new administration? Don't make me laugh. What Hughes called "the regulatory junk pile" is three centuries deep. We can crush modern economic growth with the junk pile if we try hard enough. The reborn state socialists in the environmental movement would like us to do just that. A president should know it.

And light relief: P. J. O'Rourke's *A Parliament of Whores: A Lone Humorist Tries to Explain the Entire United States Government* (Atlantic Monthly Press, 1991). The book is gut-wrenchingly funny. Mark Twain called Congress "America's only native criminal class"; O'Rourke extends the characterization to the entire U.S. government. You can imagine the new president not joining the laughter. He should, and would gather thereby O'Rourke's serious point. It came to him in the middle of a New England town meeting: "The whole idea of our government is this: If enough people get together and act in concert, they can take something and not pay for it." There's something every president should know.

Donald N. McCloskey teaches economics and history at the University of Iowa. His most recent book is an edited collection, Second Thoughts: Policy Lessons from American Economic History, *just out from Oxford University Press.*

Michael McMenamin

Mr. President, economics has never been your strong suit. You showed no more appreciation of how to generate real growth in the economy than your opponent did. Yet if the economy in the next four years doesn't begin to demonstrate the kind of growth it enjoyed during the '80s, your party may well be shut out of the White House for the next generation.

So what books can you read during the next two and a half months that might really make a difference in your new administration? Given the constraints on your time, the books should be 1) relatively short, 2) entertaining, 3) a source of ideas for improving the economy (if not the government), and 4) written by someone who has no interest in being appointed by you to a high government office.

The three books I recommend are (in the order in which they should be read): *A Parliament of Whores*, by P. J. O'Rourke (Atlantic Monthly Press, 1991); *The Fair Trade Fraud*, by James Bovard (St. Martin's Press, 1991); and *For Free Trade*, by Winston S. Churchill (Arthur L. Humphreys, 1906).

O'Rourke's *A Parliament of Whores* is the most accurate, insightful book on American government since Tocqueville's *Democracy in America*. Read it. Suggest to your staff that P. J. would make a fine White House director of communications. (Don't worry, he won't accept). Fire those who

disagree. They have no sense of humor and you're going to need people who do in your administration.

Armed with your newfound insight into how American democracy really works, move right on to the next book. It's time to start saving the economy. The secret lies in two words: *tariffs* and *quotas*. Eliminate them. Totally. Unilaterally. The result will be a $1,200 windfall to every American family, which will return $80 billion to the private sector by lowering prices to consumers everywhere, especially food and clothing for the poor and middle class. As a bonus, you will reduce federal bureaucracy. You will not increase the deficit and you will also cut the cost of goods for U.S. industry, thereby making it more competitive in world markets. It's all there and more in Bovard's *The Fair Trade Fraud.* All you need is the political will and skill to bring it off.

Which leads to the third book. You and your opponent gave lip service to free trade during the campaign. Everyone does. Then they go out and vote for "temporary" quotas and tariffs in order to achieve a "level playing field" and pocket the campaign contributions from those businesses who benefit. What will you do without those contributions and how do you respond to the demagogues who claim it is unpatriotic to buy less expensive, higher-quality, foreign-made products? Study Churchill's book.

He knew more about the politics and economics of free trade by the time he was 32 (when *For Free Trade* was published) than any 10 politicians you will have to face in the next four years. The arguments haven't changed in 90 years, and the numbers are still on your side. There are more cost-conscious consumers and competitive U.S. companies who benefit from the lower prices of free trade than there are inefficient businesses who wrap themselves in the flag and ask the government to save them. Organize the competitive companies; mobilize consumers. Collect campaign contributions from the former and votes from the latter. Churchill will show you how. Plagiarize him. His book is in the public domain. And if the Library of Congress can't find its copy, I'll lend you mine if you promise a) not to mark it up and b) to return it in good condition in February. Good luck.

Contributing Editor Michael McMenamin is an attorney in Cleveland.

Charles Murray

Takings: Private Property and the Power of Eminent Domain, by Richard A. Epstein, Harvard University Press, 1985. I grant that the possibility of George Bush or Bill Clinton actually getting all the way through *Takings* is, charitably, remote. But they should. Contrary to popular political rhetoric ("The United States is the only industrialized country in the world without a national...."), our country's excellence does not lie in becoming another Western European social democracy. Ronald Reagan had this one thing right: The United States is primarily not a geographic entity but the political expression of a few core ideas. The subtext of Epstein's intellectual tour de force is that those ideas are not rhetoric for the Fourth of July but are—or once were—the bones and muscle of the Constitution. It would be helpful to have a president who understood that.

Little House on the Prairie, by Laura Ingalls Wilder, Harper, 1935. This is not a joke. I read *Little House* to my youngest daughter a few months ago and was at least as engrossed as she was. *Little House* is not really fiction but a reminiscence of a real childhood and a common national experience. What comes home most forcibly to the modern reader is how much we once took for granted that people and neighbors could do, and would do, for themselves—and, in contrast, how pitifully small and cramped is the average politician's vision of the average citizen's capacity. We Americans like to think of ourselves this way. Perhaps we would like to live that way too.

There is also a delicious final touch to *Little House*, a tiny counterweight to the politically correct histories of the American West. Do you remember why Laura's parents had to abandon the farm they had carved out of the prairie? Because they had settled four miles inside lands that were granted to the Indians by treaty, and the U.S. Army forced the whites to leave.

In Pursuit: Of Happiness and Good Government, by Charles Murray, Simon & Schuster, 1988. OK, I understand that it's unseemly to choose one of my own books. But the point of *In Pursuit* was to lead people to think about the question, "What do we really want to accomplish?" in rigorous ways, applying it to the practical assessment of policy, and that is what being president is all about. It is a question neither Bush nor Clinton has visibly worried about in the past. It is time they did.

Charles Murray is the Bradley Fellow at the American Enterprise Institute.

Charles Oliver

Finding three books that distilled all of the accumulated wisdom of mankind was hard. Finding three that would also appeal to a man who has neither the time nor the inclination to read fat books dealing with difficult ideas was nearly impossible.

Obviously, the first book on the list should be about economics. Voters consistently said that the economy was the most important issue in this year's election. Unfortunately, despite occasional bows to business, the president has never demonstrated that he understands how *markets* work. My first thought was to recommend Ludwig von Mises's *Human Action.* This exhaustive work starts with the basis of economic activity—individuals acting for their own ends—and explains in detail how markets work and why government interference keeps them from working. But the book, though clearly written, is long and complicated, one the president probably wouldn't pick up,

much less finish. So instead I'm advising him to read Henry Hazlitt's *Economics in One Lesson.* The best primer on economics, this book demolishes most of the fallacies the president will hear from his advisers.

The second big issue facing the country is race; divisions among various ethnic groups threaten to rip this country apart. I was tempted to pass along various books by Walter Williams, Thomas Sowell, Shelby Steele, Anne Wortham, and Stanley Crouch, but instead I advise the president to read Richard Epstein's new book, *Forbidden Grounds.* This sweeping book begins with the basic values of liberal society—freedom of contract and freedom of association—and shows how these values foster another liberal value, racial tolerance. Epstein then demonstrates how current civil-rights policies not only undermine freedom of contract and association but also promote racial division. Epstein's book should be the basis for a reevaluation of civil-rights law.

Deciding upon a third book proved to be the most difficult. Should I recommend something to counter all of the environmental doomsaying the president will undoubtedly hear from his advisers? Should I pass along a book outlining the benefits of free trade? What about foreign policy or defense?

I decided upon none of those options. Instead, I urge the president to read Robert Heinlein's *The Moon is a Harsh Mistress.* Why? First of all, it's a damned good read, the best of Heinlein's novels, so the president won't put it down. That's good because the first part of the book paints a believable portrait of how a truly free society would work. This book isn't abstract ideas but people, albeit fictional ones, dealing with problems and solving them without the government's help. Quite frankly, this book could do more to impress the value of freedom upon the president than any other I could recommend.

Charles Oliver is assistant editor of REASON.

Robert W. Poole Jr.

What has been most sorely lacking in the Bush administration is a basic vision, a philosophy of government. The most profound and important book on this subject in many years is Thomas Sowell's *Knowledge and Decisions.*

Sowell's inspiration was F. A. Hayek's 1945 essay, "The Use of Knowledge in Society." *Knowledge and Decisions* is a book-length elaboration on that theme, drawing on the extensive body of knowledge produced during the '50s, '60s, and '70s in such fields as law and economics and public choice theory. The book's theoretical first half explains how knowledge is generated and used in society, the necessity of trade-offs (economic, social, and political), and the crucial importance of incentives in human organizations. Part II applies these principles to 20th-century trends in economics, law, and politics, showing how and why centralization of government fails to solve the problems it's intended to solve and creates a host of new ones. A thorough familiarity with these lessons would give the president a needed dose of humility about what government planning and programs can accomplish—plus a framework for shaping a new kind of presidential agenda.

Perhaps the most serious threat to Americans' well-being and prosperity today is the rise of pseudoscience—irrational attacks on foods, drugs, chemicals, energy supplies, and modern technology itself in the name of protecting us from cancer or saving the environment. The first book to document the perversion of science in the service of a new regulatory agenda was Edith Efron's vastly underappreciated 1984 book, *The Apocalyptics.* Efron's specific subject is cancer prevention, and she presents the book as an intellectual detective story: a journalist discovering and systematically documenting the gradual corruption of science in the service of environmental politics. The book's length can be intimidating, and its title may be off-putting. But Efron's message must be understood by policy makers, especially as the same type of pseudoscience now dominates far too much environmental and energy policy making.

Another issue high on any president's agenda must be urban policy. Yet until last year, most books about cities failed to acknowledge the profound changes that have taken place in urban form over the last two decades. Joel Garreau's *Edge City* is the first popular book to take seriously the shift of economic activity from traditional downtowns to suburbia. What makes Garreau's sometimes rambling account especially interesting is that he obviously began his research hostile to these changes but ended up discovering a highly decentralized market process at work—a process that reflects the way real people prefer to live and work. An urban policy based on trying to restore the predominance of traditional downtowns, served by traditional transit, is not only doomed to failure but also profoundly antidemocratic.

In recommending these three books, I take it for granted that the president-elect has already read David Osborne and Ted Gaebler's much-touted *Reinventing Government.* It reflects a "new paradigm" approach stressing choice, competition, cost-effectiveness, and accountability. While hardly laissez-faire, this approach would represent a welcome change of course.

Robert W. Poole Jr. is president of the Reason Foundation and publisher of REASON.

Virginia I. Postrel

Washington is a weirdly sterile place—the true home of the cultural elite, left and right—and the president is the most insulated person in America (with the possible exception of Michael Jackson). Reading should break the box and pull the president into the world where people don't all have identical suits, identical haircuts, and mostly identical ideas about what constitutes the good life.

For starters, I recommend two beautifully written books about the people who are transforming world business and world cultures: *American Steel: Hot Metal Men and the Resurrection of the Rust Belt*, by Richard Preston (Prentice-Hall, 1991), and *The Outnation: A Search for the Soul of Japan*, by Jonathan Rauch (Harvard Business School Press, 1992).

American Steel is an adventure, an absolutely riveting drama of the building of a minimill to make rolled steel with never-before-tried technology. This audacious undertaking is made all the more challenging by Nucor Corp.'s determination to do everything fast. The book has plenty to say about international and domestic competition—"man against man" in English-class jargon—but it is really about man against nature, about the joys and hazards of taming metal that's nearly 3,000 degrees Fahrenheit, "runny as water and as unpredictable as a cat."

And while Preston vividly portrays the romance of hot metal, *American Steel* is anything but romantic. A terrible accident destroys much of the mill and leaves a man to die a slow and painful death from burns. "Until you see the walls of a steel mill blown off and part of the roof blown away, the power of hot metal doesn't hit you." Neither I, nor I suspect the president, would be willing to take the risks that making steel requires. But some people relish them, and civilization is the better for it. The president should appreciate that. So should the risk-averse control freaks who populate Washington.

The Outnation is as tranquil as *American Steel* is hard driving. Less about trade, competitiveness, and international relations than about people, culture, and values, this tiny volume (180 pages, with photographs) has more insightful things to say about trade, competitiveness, and international relations than most books two or three times its length.

Those insights spring primarily from Rauch's willingness to look at Japan detail by detail instead of cramming an entire civilization—and a country of 125 million not-in-fact-homogenous individuals—into a tidy thesis for talk-show bookers. An enormously subtle book filled with well-chosen stories about real people, *The Outnation* appreciates and exposes the myths Japanese and Americans tell about our cultures and our differences. It is suffused with a sense of history and with a great appreciation for liberal values and why we value them. Reading it, we learn not only about Japan but about ourselves, where we come from, and, perhaps, where we're going.

Dedicated "to the unknown civilization that is growing in America," *The Constitution of Liberty*, by F. A. Hayek (University of Chicago Press, 1959), is three times as long as *The Outnation*, has no pictures, and tells no anecdotes. It is not journalism. But it is profoundly about "the real world" and, though philosophy, it is not abstract.

Hayek's is the nuanced world of history and action, in which knowledge emerges from experience and experimentation and principles are different from revealed axioms. *The Constitution of Liberty* is one of the wisest books ever written, the most appreciative of liberty, and the most distant from today's Washington—a place where people actually believe the man in the White House "creates jobs" and dictates culture. Entering Hayek's world, even for a chapter, would be a radical step out of the box.

Virginia I. Postrel is the editor of REASON.

Jonathan Rauch

Three books, Mr. President? I can think of three dozen, and I can think of one. High on a list of three dozen would certainly be Mancur Olson's *The Rise and Decline of Nations* (Yale University Press, 1982), whose 10-year-old predictions today look depressingly accurate. Olson's hypothesis is that special-interest groups and their anticompetitive arrangements accumulate inexorably over time and gradually choke off economic and political vitality. Thus may postwar democracy, in America and elsewhere, seize up in much the way a man might choke on his own phlegm. Olson's hypothesis, though not uncontroversial, positively must be reckoned with, especially by a president, who needs to appreciate that pandering to interest groups is more dangerous than it seems.

Another among a handful would be Aaron Wildavsky's unheralded but fascinating *The Rise of Radical Egalitarianism* (The American University Press, 1991). Wildavsky looks at activists of seemingly quite different kinds, from land-use regulators to feminists to environmentalists to animal-rights advocates, and discovers a common cultural thread, namely the belief in the moral virtue of diminishing any given array of differences between people (or species). Most Americans believe in liberty *and* equality, but radical egalitarians are one-value people—like the antipodal radical libertarians, but much more influential. "*Egalitarians exist not to be satisfied*," writes Wildavsky (italics his own). He will help show you what makes them tick.

But really there is only one book, on a list by itself. It was published in 1988 and has become a monument to the fact that liberalism still has millions of committed enemies, and they will hurt us if they can.

You ought to read *The Satanic Verses* and make sure everybody knows you are reading it. Then you should ensure that there will be no semblance of normal relations with Iran until the death sentence against Salman Rushdie is revoked. In 1989, George Bush's reply to the death sentence was of oatmeal consistency, and the White House has been silent on the matter ever since. Please do better. If the president of the United States does not stand stoutly beside those who exercise the right to criticize (as Rushdie's novel harshly and justly criticized both the Ayatollah Khomeini in particular and Islamic fundamental-

ism in general), then the world does not need him.

Jonathan Rauch, a contributing editor of National Journal, *is author of* The Outnation: A Search for the Soul of Japan *(Harvard Business School Press, 1992).*

Jacob Sullum

It's tempting to recommend the works of important classical liberals or summaries of contemporary libertarianism. But I'm afraid these would be too easily dismissed as outmoded or radical. Instead I've selected three books that are provocative without being too threatening or alienating. Rather than produce instant converts, they should have a more subtle, long-term impact that may result in some salutary second thoughts.

Richard Nisbett and Lee Ross's *Human Inference: Strategies and Shortcomings of Social Judgment* (Prentice-Hall, 1980) is, despite the forbidding title, quite readable (for a serious psychology book, anyway). Nisbett and Ross explore how people go wrong in making judgments about themselves and the world around them, mainly by relying too heavily on cognitive rules of thumb and by failing to understand or apply principles of statistics and probability that are familiar to scientists. The book has no obvious political bent, but its implications for public policy, especially with regard to regulation and risk assessment, are profound.

Another psychologist, Stanton Peele, has built a career on challenging the conventional wisdom about addiction. His *Diseasing of America: Addiction Treatment Out of Control* (Lexington Books, 1989) is not a direct critique of the war on drugs, which may give his message a better chance of getting through. Like Thomas Szasz, Peele argues that the medical analogy has clouded our thinking about addiction and that we need to talk about people and responsibility rather than chemicals and diseases. He refutes many widely accepted myths about addiction, including the idea (accepted by a lot of Democrats and drug-policy reformers) that more money for treatment is the solution to "the drug problem."

Randy Barnett is not a psychologist, so far as I know. But he is the editor of and a contributor to *The Rights Retained by the People* (George Mason University Press, 1989), an attempt to understand the much-neglected Ninth Amendment. Although the book has a lot to say about liberty and individual rights—which you might think would be a turnoff for politicians—it draws on a wide range of perspectives, so it has a mainstream appearance.

Nevertheless, Barnett dares suggest that rights do not come from governments, that the Ninth Amendment might actually mean something, and that courts could even apply it in a principled fashion. Bold yet respectable, this book might plant a seed of doubt about the state's presumptions, or at least curiosity about our political heritage.

Jacob Sullum is associate editor of REASON.

Martin Morse Wooster

In asking this question, the editors of REASON are asking the president to do something that politicians rarely do—read for pleasure. Books are something most presidents avoid. Ronald Reagan read Tom Clancy, and John F. Kennedy enjoyed Ian Fleming novels, but Harry S. Truman was the last avid reader in the White House. Most presidents—and most politicians—subsist on a diet of words that consists of memos, government documents, and the occasional public-policy magazine.

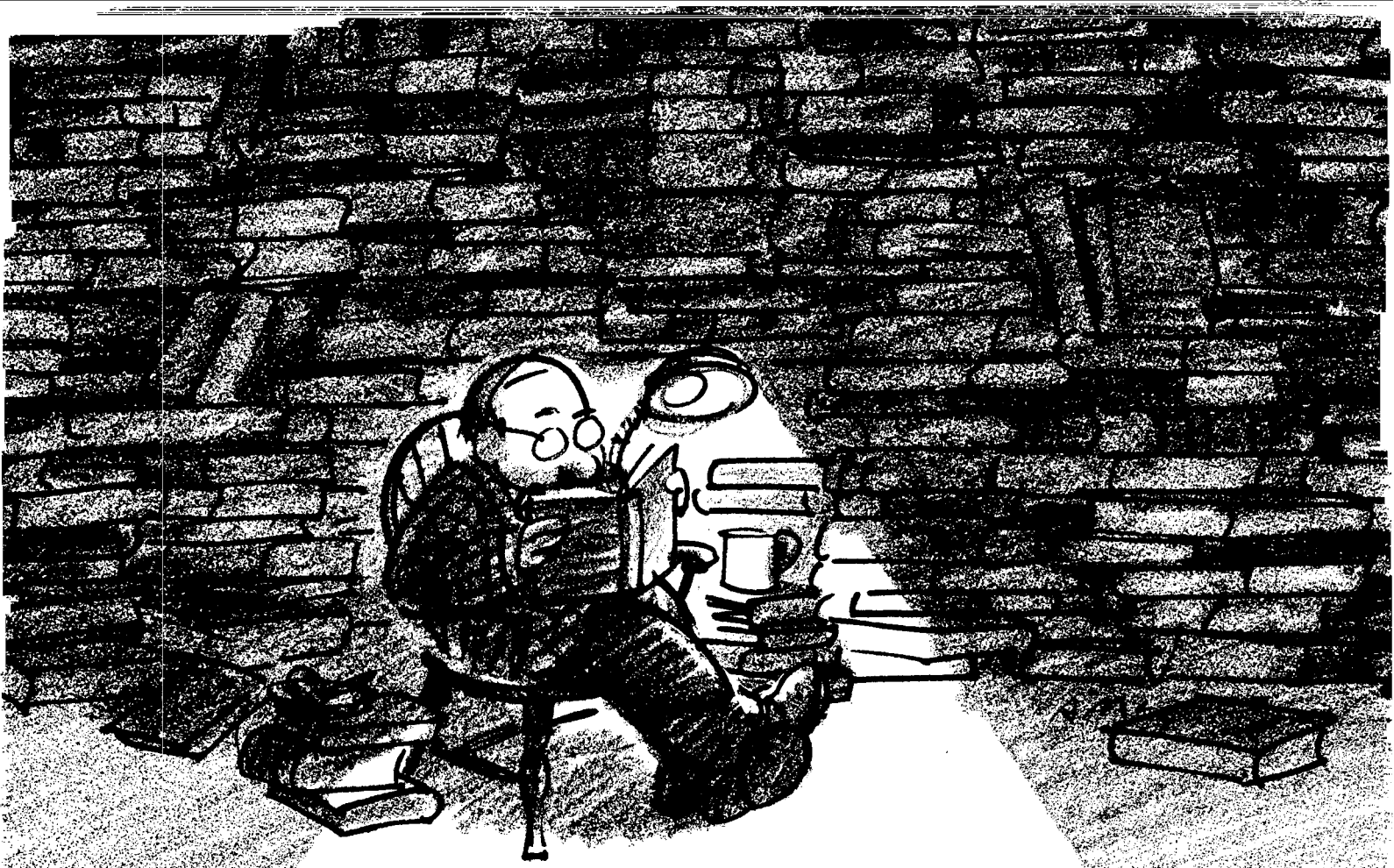
So my first request would be that either George Bush or Bill Clinton find the time routinely to sit in a comfortable study full of books not directly related to his job. Most good writers are avid readers, and one of the reasons most politicians are incapable of giving a persuasive speech is that their "in" baskets largely consist of styleless mush. With that in mind, here are three books that will help the president sort through the issues of the day.

No better history of our sad and savage times exists than Paul Johnson's recently revised *Modern Times* (HarperCollins). Johnson wittily dissects the follies of dictators and statists in a stylish and decisive manner. Even though the age of tyrants has now mostly passed, Johnson's book is still essential for understanding how much of the world could have been deluded by fascism and communism.

Neither Ronald Reagan nor George Bush has done very much to alter the American welfare state, so Charles Murray's *Losing Ground* (Basic Books) is still essential, accurate, and necessary. Murray demolished the assumptions on which the welfare state was created, thus ensuring that welfare programs now have no intellectual base. Liberals have spent a great deal of time trying to refute Murray; they have found that his arguments are irrefutable.

Both Bush and Clinton want to reform American education, so they might learn something about how American education became as bureaucratic, sclerotic, and hierarchical as it is. There are not that many histories of education, but the best remains David Tyack's *The One Best System* (Harvard University Press, 1974). In this book, Tyack shows how misguided Progressives transformed American education from a decentralized system responsive to parental desires into a close-minded institution strongly resistant to change. The book is long out of print, but an enterprising reprint publisher should discover that this hard-to-find volume will have a wide audience.

Contributing Editor Martin Morse Wooster is REASON*'s magazine critic. His book on reforming public high schools will be published next year by the Pacific Research Institute.*



SPECIAL BOOK SECTION

ECO-ECONOMICS

By Lynn Scarlett

Costing the Earth by Frances Cairncross, Boston: Harvard Business School Press, 341 pages, $24.95

Changing Course by Stephan Schmidheiny, with the Business Council for Sustainable Development, Cambridge, Mass.: The MIT Press, 374 pages, $35.00/$16.95 paper

Beyond the Limits by Donella Meadows, Dennis Meadows, and Jorgen Randers, Post Mills, Vt.: Chelsea Green Publishing, 300 pages, $19.95

Casting himself as protector of the environment in a speech last August, Bill Clinton outlined his plans for our planet: "I would support a market-based system to make manufacturers and importers pay more of the cost of disposing of the goods they produce." Later, borrowing from standard economics lingo, he cautioned, "polluters should pay [for their] externalities."

Clinton's speech echoed the new environmental refrain: Markets are in; central planning with command-and-control regulations is out. In rhetoric, at least, many environmentalists now champion markets, since evocations of planning and top-down regulations conjure up visions of failed communist economies. So pronounced is this trend in rhetoric that supporters of a 1992 Massachusetts ballot initiative that prescribed detailed packaging regulations felt impelled in their campaign to call the regulations a "free-market" solution: The private sector would "freely" decide how to comply with the rules.

But the trend is more than strictly a rhetorical one. In the 1970s, most environmentalists disclaimed any relevance of economic theory to environmental policy. Perceived as absolute values, environmental goals were to be pursued regardless of costs. Proposals for pollution charges were dismissed as unacceptable "licenses to pollute." And market institutions were deemed not a remedy but a cause of environmental woes.

By the late 1980s, however, some mainstream environmentalists had begun to see economic theory and market processes as essential to thinking about environmental problems and policies. Two new books fit into this trend. Frances Cairncross, environmental writer for *The Economist*, embraces market-oriented environmentalism in *Costing the Earth*. And *Changing Course*, a collective effort by a group of international business leaders headed by Swiss businessman Stephan Schmidheiny, strives to blend economics and environment, market processes and public policy, into an analysis of what's wrong with our planet and how we can make things better.

A third book, *Beyond the Limits*, reaffirms old viewpoints with a strong dose of skepticism about markets as an antidote to environmental degradation. The book, by Donella Meadows, Dennis Meadows, and Jorgen Randers, is a sequel to the best-selling 1970s doomsday proclamation *Limits to Growth*, which denounced a great deal of what markets have produced in the last few centuries and (wrongly, it turns out) prognosticated near-term depletion of many basic raw materials.

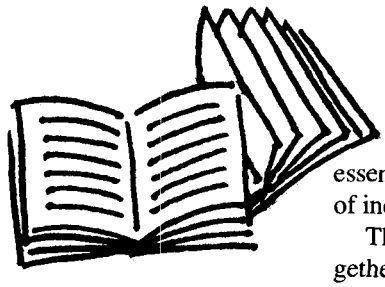
But even in their skepticism, the authors of *Beyond the Limits* pay some homage to markets (and technology). "If we suggest that technology or markets have problems or limits," they write, "some will label us antitechnology or antimarket." They retort, "we are neither." Rather, "we...respect the virtues of the market. Two of us have Ph.D.'s from a major business school; one of us has been president of another business school and is currently a business manager." These credentials, they presume, should reassure us. And they also feel obliged to underscore that they don't endorse a "world of strict, centralized, government control."

So markets, at least in rhetoric, are in. But these books prod us to inquire just what we mean by "market-oriented environmentalism" and to explore the philosophical differences that divide those who now operate under that banner. Most of the newly popular market environmentalism shares with the more traditional command-and-control school of thought a reliance on collective goal setting: Political processes determine ends. Markets offer a toolkit of means with which to pursue those ends. And the means do not emerge through a series of decentralized transactions, a process dubbed "spontaneous order" by the late Nobel laureate F. A. Hayek. Instead, the tools, just like command-and-control specs for antipollution technologies, are designed through top-down legislative action.

This is the vision of market environmentalism offered for the most part by Cairncross and to some extent by Schmidheiny. It is a vision that leaves mostly unexplored some crucial questions about the nature of markets, the ways in which they function, the conditions under which they allocate scarce resources efficiently, and the connection between free markets and liberty.

Last things first. In his book *Knowledge and Decisions*, economist Thomas Sowell describes the market as "nothing more than an *option* for each individual to choose among numerous existing institutions, or to fashion new arrangements suited to his own situation and taste...the market is simply the freedom to choose among many existing or still-to-be-created possibilities." Viewed this way, markets are the processes by which individuals, through their transactions with others, express their own priorities. Through markets, people make trade-offs among multiple goals as they decide how to allocate their (always) limited resources.

As Sowell points out, "the diversity of personal tastes ensures that no given institution will become *the* answer to a human problem in the market...responsiveness to individual diversity means that market processes necessarily produce 'chaotic' results from the point of view of any single given scale of values." Market processes, described in this way, are the



essence of liberty; they are the expression of individual values.

This focus on the individual is altogether absent from *Beyond the Limits*. Meadows et al. push for a world that is "materially sufficient, socially equitable, and ecologically sustainable." To achieve this essentially redistributive vision, they claim, "no one need engage in sacrifice or in strong-arming, except, perhaps, to get some people to stop deliberately confusing or distorting or ignoring information." While they skirt around just what they mean, their agenda is essentially a call for a "new man"—not the Chinese new socialist man but a new "green" man for whom material consumption yields to spiritual nourishment.

While Meadows et al. skirt around just what they mean in their book, their agenda is essentially a call for a new "green" man.

And it is "society" that will accomplish this transformation. The authors suggest that some "growth" could occur, but "before society would decide on any specific growth proposal, it would ask what the growth is for, and who would benefit, and what it would cost, and how long it would last...and when any physical growth had accomplished its purposes, it would be brought to a stop."

How would this lockstep process be implemented? Not through any strict, centralized, government control, Meadows et al. insist. But they do tell us we will "need rules, laws, standards, boundaries, and social agreements, of course, as does every human culture." They admit that some of these rules will be different from what we now have. For example, they justify bans on some resource use, asserting that such prohibitions serve a purpose similar to a ban on bank robbery. But they do not explain what limits, if any, would be placed on such restrictions.

Moreover, the analogy obscures important differences between the two kinds of bans. We outlaw bank robbery because it constitutes an act of violence, a taking of property deemed to belong to the victim. The ban on robbery thus preserves private property. Outlawing some resource use, by contrast, has to rest on a philosophical foundation that jettisons notions of private property. To justify interfering with voluntary transactions—buying and selling of basic resources—requires recasting resources as "common property" subject to political deliberations about their allocation. It may be possible to erect a philosophy to support this view of resources. But it is not possible to do so without rejecting the kind of property rights fundamental to market processes.

Notwithstanding their avowals to the contrary, the authors of *Beyond the Limits* convey a worldview embodying just about everything that is wrong with most modern environmental politicking. Its frame of reference is the collective decision maker; its focus is on redistribution of wealth and political allocation of resources; its vision of resources and human action is, if not altogether static, highly constrained. *Beyond the Limits* thus serves as a benchmark against which to assess the views set forth in the other two books, whose authors fully embrace the attempt to use market processes to achieve environmental goals.

In contrast to Meadows et al., the authors of *Changing Course* understand the dynamism of human action. Schmidheiny writes, for example, that "what separates a 'waste' from a 'raw material' is economic usefulness," and he cites a series of cases that "demonstrate how research and imagination can turn wastes into resources." In fact, both *Costing the Earth* and *Changing Course* express an optimism alien to the authors of *Beyond the Limits*, notwithstanding their periodic acquiescence to crisis scenarios.

For Cairncross and Schmidheiny, time offers opportunities, not constraints. For Meadows et al., time is the enemy: "Time is in fact the ultimate limit—in the 'real' world. The reason that growth, and especially exponential growth, is so insidious is that it shortens the time for effective action." This view of time underlies a portrayal of a world in crisis: We are running out of resources, running out of "sinks" into which we can emit pollution, so "poverty...will have to be addressed while the material human economy contracts."

This crisis orientation emerges naturally from a perception that resources are finite, nature not very resilient. And behind these perceptions lurks a view of human creativity as limited also. For Meadows et al., resources are the panoply of raw materials "out there." Sometimes these resources are renewable, but the basic array of materials available to us remains unchanged. Cairncross and Schmidheiny, on the other hand, acknowledge that the industrial age has witnessed constantly increasing efficiencies in resource use—more bang for the buck, less energy per unit of output, more farm produce per unit of land, and so on. They emphasize the possibilities of change.

Meadows et al. dish up their world vision in a series of scenarios that they run through a computer model in order to anticipate possible outcomes. They warn that the models are not intended to predict the future, and they admit that human choices can change outcomes. But the assumptions of their model give us a sense of their worldview.

For example, "the model does not allow industry to make something out of nothing." So far as the authors of *Beyond the Limits* are concerned, resources are essentially fixed. Yet resources are not fixed. True, we can't make something out of nothing. But it is the attributes of particular raw materials that we seek, not each stone, chemical, or organic product per se. We seek fuel, not necessarily oil; material that can be woven, not just cotton, wool, or nylon; materials that are malleable, strong, or conductive, not copper or iron or silica per se. This opens up vast possibilities for invention, substitution, and expansion of our resource base. It is human action that turns a sow's ear into silk—or, more realistically, sewage sludge into energy, oil into usable fuel, or old plastic scrap into tennis ball fuzz.

This more optimistic view, shared by Cairncross and Schmidheiny, is part of a trend away from the Meadows vision, and market-oriented environmentalism has helped foster that trend. Nevertheless, *Costing the Earth* and *Changing Course* are often troubling.

Individual decision making, for example, has little role in the market schemes proposed by Frances Cairncross in *Costing the Earth*. On that score, she doesn't differ notably from Meadows et al. Cairncross repeatedly reminds us that "society" must set our environmental goals. "Only government," she writes, "can decide how much society should value the environment, and how that value should be inserted into economic transactions." Her vision is consciously collectivist.

The authors of *Changing Course* grope toward a more individualistic perspective when they claim that "markets empower people." They warn that "sustainable development cannot be secured efficiently by government decisions alone. Governments should instead provide a framework in which it can happen." But, like Cairncross, they usually assume that environmental goals have to be set collectively. "Society—through its political systems—will have to make value judgments, set long-term objectives," they tell us.

Thus, Cairncross and sometimes Schmidheiny, despite their strong endorsement of the marketplace, abandon one of its principle virtues—individual rather than collective allocation of resources. They justify the move to collective decision making by frequent appeals to "market failure" and "negative externalities." Schmidheiny notes that markets "often fail to integrate environmental costs into economic decisions." For example, without air-emission regulations, people don't pay for use of the air when they emit pollutants into the atmosphere. Few, if any, economists would disagree. Indeed, one of the central challenges for environmental policy is to overcome such externality problems.

For Cairncross and many other champions of market environmentalism, this translates into an appeal for government to "set prices on environmental resources" and "make sure consumers and producers pay the true costs of the environmental damage they cause." Market environmentalists are generally right in this appeal, and Cairncross brings up all the usual examples. The government often subsidizes water use, economic calculations often do not take air emissions into account, and so on.

But there are problems with the conclusions that many market environmentalists draw from these observations about externalities and pricing. They sometimes misapply the concept of externalities, arguing for government intervention to "set prices" for values that may already be reflected in market transactions. Cairncross, for example, tells us, "there is a housing market, but there is no beauty market. So if government is to make sure that the beauty spot is properly valued, it has to put a price on loveliness."

Cairncross may be right if the land is publicly owned. Under such circumstances there is no mechanism for individuals to express their estimation of the land's value by bidding for its preservation or its development. Or she may be trying to illustrate a problem in a growing neighborhood where current residents have long enjoyed a view of land that is about to be developed. The value of their property may decline as a result. Is compensation justified?

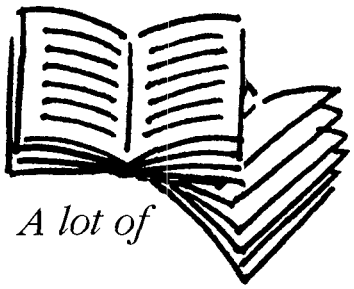
But Cairncross doesn't investigate these issues. She simply makes a blanket statement that markets fail to "value" beauty. Yet surely transactions over private property incorporate "loveliness," and a host of other intangible factors, into sales prices. Cairncross may actually be trying to say that individuals, in their private transactions, do not value "loveliness" (or recycled paper, organic vegetables, or whatever) to the degree that many environmental activists do. Hence the push for collective decision making to impose one set of values on the rest of us.

Elsewhere, Cairncross tells us that "government needs to find ways of encouraging industry to use raw materials frugally." If Cairncross is alluding to resource subsidies that interrupt market signals and encourage "overuse" of raw materials, she is stating the obvious. Where resources are owned, market prices provide information about changing relative scarcities. Rising prices signal that supply is shrinking relative to demand, and higher prices prompt conservation. Subsidies, by definition, interfere with this process. But Cairncross seems to have something else in mind when she exhorts governments to prod industry toward frugality. She seems to be imagining some fixed, absolute notion of efficient resource use.

The discussion of "setting prices" in *Costing the Earth* and *Changing Course* often betrays misconceptions about how markets work. No one "sets prices" in free-market transactions, at least not in the sense implied by many market-oriented environmentalists. Prices emerge through the dynamic transactions of buyers and sellers. If no transactions are actually occurring, we know nothing about how much individuals value, say, cleaner air relative to driving solo to work in their polluting cars. And determining the "costs" to society of certain externalities is equally problematic. Cairncross acknowledges difficulties in "pricing" externalities, but she treats the difficulties as merely technical rather than conceptual.

Because market prices arise from a dynamic process, they fluctuate, depending upon supply and demand. There is no "intrinsic" and absolute "true price" for, say, oil. Yet Cairncross tells us to "put a proper value" on environmental "goods" and tells us to "properly price" energy. One is left with the sense that much of the appeal to markets is really a way of disguising a scheme for taxing anything deemed to be "politically incorrect."

And, indeed, that's just what a lot of so-called market environmental proposals are all about: Tax the automobile, tax plastics, tax fossil fuels. These proposed taxes have little to do with internalizing external costs. Most such taxes are designed simply to raise revenues. And even where they are supposed to combat "pollution" or other negative externalities, the tax is seldom if ever set on the basis of any information, however imperfect, about the environmental costs associated with consumption of the targeted item. This sort of arbitrary intervention in the marketplace interrupts the information flows that give us signals about



A lot of tough issues are glossed over in this new market environmentalism. For example, does each of us really want to eliminate all externalities?

the changing scarcities of resources relative to demand.

This is not to deny the problem of "unpriced goods." But to understand markets and their impact on environmental values, we need first to distinguish situations in which prices already are conveying information about resources from those in which they are not. And we need to think hard about whether, under what conditions, and how market prices might be introduced to incorporate environmental costs into decision making.

Consider oil prices. Using the language of markets, many environmentalists push for higher oil taxes, arguing that market prices don't take into account the pending depletion of particular oil fields. Meadows et al. say "the price signal [of oil] provides information only about the relative scarcity or surplus of oil wells, not—until the very end of the depletion process—about the scarcity of oil." The implication, often repeated among market environmentalists, is that markets don't convey information about the future, only about the present.

This claim ignores reality—the prices of oil reserves very much do reflect depletion. It also misses the very essence of market systems. Rising prices for resources stimulate investment to increase supplies. Eventually, other things being equal, that means investment in more-marginal, costlier supplies. Costlier supplies mean continued higher prices, as long as demand remains constant or grows. Each price increase under these conditions offers, in effect, a glimpse into the future—a signal that supplies are diminishing. And that glimpse kicks off efforts to conserve or find substitutes. This process rests on two pillars: private property rights and freely moving market prices.

Here and there, Cairncross understands that establishment of property rights to land, mineral, and water resources may overcome the "externalities" problem. And both Schmidheiny and Cairncross point to the "commons" problems in which unowned or publicly owned land is overexploited. Both see public ownership of forest lands as having led to a razing of forests, with no concommittant investment in reforestation. Both see a connection between "overfishing" and an absence of property rights to fish in rivers, lakes, and oceans.

In fact, the authors of *Changing Course* make establishment of secure and transferable property rights a centerpiece of their recommendations for improving forestry and agricultural practices. They point out, for example, that privately owned forests have growth rates "as much as 30 times those of natural forests." And they note that, although private plantations "account for less than 4 percent of total forest area, they provide about 20 percent of the world's industrial wood."

More than Cairncross, Schmidheiny understands the market as a decision-making process. He calls for deregulation, free trade, competition, and a stable legal framework (including secure property rights) in which market transactions can flourish. Applying this thinking to energy use, he writes, "we must describe not a final target but a process that allows for and fosters a continuous change in energy use patterns; a move toward more efficient production, transmission, and conversion of energy into social goods."

Cairncross, by contrast, more often sees markets as a means of more efficiently reaching collectively set environmental goals. For example, she is inclined to support energy taxes to achieve some predefined reduction in fossil-fuel consumption. And she supports a proposal by the Environmental Defense Fund to create "tradable efficiency credits," which are supposed to lower the costs of reducing energy consumption to some politically prescribed level.

This really gets to the heart of the problem with so-called market-oriented environmentalism. Too often it sees markets simply as tools for the efficient delivery of environmental goals—for example, cleaner air or cleaner water. Resource-use taxes, pollution-trading schemes, and deposit-refund systems for hazardous-waste disposal all use prices or some form of trading, rather than prescriptive regulations, to achieve goals. But the goals themselves remain collectively determined.

No doubt this is a step in the right direction. If we can reduce air emissions at less cost through tradable permit schemes, surely that is preferable to old-style regulations. But a lot of tough issues are glossed over in this new market environmentalism. For example, does each of us really want to eliminate all externalities? To do so means, among other things, eliminating all air emissions. But achieving zero emissions, even if possible, would cost a bundle. Unlike the market, collective decision making does not allow individuals to determine whether the costs are worth the benefits.

In other words, the method for setting a goal matters at least as much as the method for achieving it. Are there ways to address environmental problems while allowing individuals to pursue a diversity of goals? For problems like air pollution, where it's difficult to internalize all the relevant costs, the answer seems elusive. Yet if we view markets simply as instruments of efficiency in reaching predetermined, politically set goals, we will not even ask the question. Indeed, if efficiency is all we want, it may be that regulatory solutions work better for some environmental problems. On the other hand, if individual choice matters, not only intrinsically but as a key to making markets work in the way they do, then much of what passes for market-oriented environmentalism has little to offer us. ■

Lynn Scarlett is the Reason Foundation's vice president for research.

HANGIN' WITH THE HOMEBOYS

By William Tucker

The Gang as an American Enterprise by Felix M. Padilla, New Brunswick, N.J.: Rutgers University Press, 198 pages, $14.00

Going Down to the Barrio by Joan W. Moore, Philadelphia: Temple University Press, 156 pages, $14.95

Do or Die by Leon Bing, New York: Harper Perennial, 277 pages, $10.00

Islands in the Street: Gangs and American Urban Society by Martin Sanchez Jankowski, Berkeley: University of California Press, 324 pages, $13.00

The literature of gangs occupies a unique place in American academia. Since the 1950s, literally dozens of books have been written on this topic. All of them pretend to be saying something new, and all repeat the same thing.

The model was set by Thomas Merton, the American sociologist who wrote in the 1940s. Merton premised that every society offers a basic set of goals and values to the individual. Each individual then responds through one of five different pathways: conformity, creativity, withdrawal, resistance, or rebellion. Merton hypothesized that those who inherit the basic tools to deal with society usually respond through the first two, while those who are handicapped or excluded by society respond through the latter three.

In 1963, Richard Coward and Lloyd Ohlin published a slim volume called *Delinquency and Opportunity*, which still stands as the fundamental text of the academic approach to gangs. Without presenting a shred of evidence or firsthand information, Coward and Ohlin posited that what was then called "juvenile delinquency" was a perfectly rational and justifiable response to the lack of opportunity afforded to low-income groups in American society. Low-income groups, they argued, shared the American desire for wealth, power, and prestige. But the traditional routes for advancement—education, good jobs—were not available to them. Therefore they turned to gangs and crime, both as a protest against their deprived condition and as an alternate route to success.

American sociology has barely changed since. After a relative lull in the 1970s and '80s, the recent emergence of murderously violent gangs, particularly in Los Angeles, has once again brought the subject to the fore. Yet while the gangs of today are noticeably different—they are far more violent—the literature remains the same. "Opportunity theory" prevails.

There is, of course, some truth to this approach. Gangs are unquestionably concentrated in lower-class neighborhoods. Gang members do indeed act in a kind of "protest," defying authority, hassling the police, irritating neighbors, committing crimes, and so forth. They also enjoy some success: Gangs are often the locus of auto-theft rings or street-corner drug dealerships. Gang members who do well may eventually be recruited by the Mafia or other ethnic organizations that control the drug trade.

The problem with opportunity theory is that it's so passive and nonjudgmental that it quickly becomes an apology for gang activities. The secret admiration of the book-bound intellectual for the rough, tough "existential hero" of the street gang filters through in page after page of gang literature.

Yet is this all there is to say? The perennial conclusion of gang books is that "we" should give "them" more "opportunity." There is never any explanation of how "we" got to be so successful in the first place. Are middle-class people successful simply because they are more expert at robbing and exploiting other people, as gang lore explains it? Are the police really "just another gang, except they've got uniforms"? Or are there perhaps some behavioral consequences that make this bland "middle-class" temperament a route to success, while the "defiant individualism" of the gang member remains a prescription for failure?

Felix Padilla's *The Gang as an American Enterprise* does little to address these questions. Based on a six-year study of Chicago Hispanic gangs, Padilla's thesis is revealed in his title: Gang activity is just as American as apple pie. "The story told in these pages," writes Padilla, "is about a group of young men and their struggles against a system of domination whose function, they believe, is to keep them at the very bottom of society. There young people joined the gang in pursuit of economic advantages."

Following the lead of sociologist William Julius Wilson, Padilla argues that the "loss of hundreds of thousands of manufacturing jobs in central cities..., which once constituted the economic backbone of these cities and served as the springboard for opportunities among the working class," has led these young people to join gangs. Yet these were the very same "dead-end jobs" that supposedly caused the last generation of young people to join gangs in the 1950s.

Fortunately, Padilla, like most contemporary researchers, has done a lot of legwork and gives us plenty of direct quotes that undercut his theory. Here is the way one young informant explains why he joined a gang: "We were just tired of factory jobs. We were supposed to go to school and receive an education. For what? To be employed in factory jobs? We were tired of that. At the same time we were watching these other guys making a lot of money [in crime], so we said, 'Hey, let's follow these guys. Let's do what they were doing.' "

Or as another young hoodlum puts it: "The gang seemed to control the things I wanted. I was kind of a dork when I was in elementary school. I was really into my studies, and I didn't get involved in any stuff that the gang was doing. But then I began to see that they had the girls, that people listened to them, and stuff like that....And even though my parents and older

Moore's research repeatedly confirms that marriage and child rearing are the way out of gang life for boys and girls. "You know what helped me a lot?" says one ex-member who married at 22. "My wife."

brothers were always telling me to stay away from those guys, I kind of admired what they stood for and the way people used to like them."

Padilla is also willing to admit that the gang ends up treating its recruits no better than the larger society does. Enlisted into the drug trade as street-corner dealers, gang members find themselves working at barely the minimum wage. When they are arrested, their "main men" post bond for them but then force them to pay it back through a series of payroll deductions. Most street dealers end up "owing their soul to the company store," just as if they were working for the most exploitative employer. As Padilla sadly concludes: "Instead of functioning as a progressive and liberating agent capable of transforming and correcting the youngsters' economic plight, the gang assisted in reinforcing it."

Writing about Los Angeles in *Going Down to the Barrio*, Joan Moore also looks for a positive side to urban gangs. Among Mexicans, she notes, gangs have long played an important social role in the community. Harking back to the "Zoot suit" riots of World War II (when Navy recruits about to be shipped to the Pacific took offense at Mexican youth parading around Chavez Ravine in fancy clothes), Moore makes the predictable complaint that the media never get exercised about gangs until the violence spills over into the larger society. She also takes offense that Hispanic gangs are often confused with black gangs, which are far more violent. She concentrates on showing how Hispanic gangs are "significant agents of socialization for a small fraction of youth in these neighborhoods."

Moore's major effort is to include young women in her study. This results mainly in a tendentious insistence that girls can be just as tough as boys. But she does come up with some nuggets.

For example, Moore's research repeatedly confirms that marriage is the way out of gang life. "You know what helped me a lot?" says one ex-member who married at 22. "My wife. I still wanted to get high and everything. But my wife. You know how they are when you first get married. They don't want you to be the same. And I married a pretty decent girl. She was pretty well off. More than we are. [And she kept you from getting in...]—trouble and all that." (Brackets in original.)

Women who abandoned the gang usually followed the same route. Moore feels her research underestimated the number of former girl gang members, since as mature women they were reluctant to talk about their "wild past." But the pattern is the same. Marriage and child rearing usually meant giving up the gang (although single motherhood often meant going back to "the life" with a vengeance).

If academia seems stuck in the same rut of offering weak justifications for gangs and youth crime, journalism does not have the same privilege. That is why Leon Bing's *Do or Die* is such an extraordinary contrast to the verbal conundrums of sociology. With a minimum of interpretation, Bing, a reporter for *Harper's*, presents a lengthy series of interviews with members of the Crips and the Bloods, the two black gang empires that have splashed their blood all over Los Angeles. Bing's lean style and unobtrusive reporting are so charged with tragic overtones that they hardly need further comment:

"Gloria...took a snapshot from her wallet and handed it to me: a pair of twelve-year-old boys in freshly washed blue-and-white baseball uniforms stand grinning into the camera. Behind them, across a patch of grass, the brick wall of a school building is splashed with gang graffiti. Gloria pointed to her son, a chunky, dimpled kid. The boy standing next to him was his best friend, she told me. That boy went into the Crips; Gloria's son became a Blood. Both boys were dead before they made sixteen."

Without any academic overlay, Bing presents the Homeric lives of black teenagers who cannot imagine anything outside their Beirut-like neighborhoods. Here are Sidewinder and Bopete, two 14-year-olds, a Crip and a Blood, as they chat in a California youth detention center:

"[Bopete:] 'Sometimes I think about not goin' back to bangin' when I get outta here. I play in sports a lot here, and I....'

"Sidewinder's laugh interrupts. 'Sound like a regular ol' teenager, don't he? I sound like that, too, after the drive-by. I got shot twice in the leg, 'cause they was shootin' at the car, and when that happen I didn't want to 'bang no more, either. Makin' promises to God, all like that. But when it heal up....' He is silent for a moment; maybe he's thinking about a freedom he won't taste for a while. Then, 'I tell you somethin'—I don't feel connected to any other kids in this city or in this country or in this world. I only feel comfortable in my 'hood. That's the only thing I'm connected to, that's my family. One big family—that's about it.'

" 'In my 'hood, in the Jungle, it ain't like a gang. It's more like a nation, everybody all together as one. Other kids, as long as they ain't my enemies, I can be cool with 'em.' Bopete lapses into silence. 'I'll tell you, though—if I didn't have no worst enemy to fight with, I'd probably find somebody.'

" 'Ye-eeeeeeeh.' Sidewinder picks it up. '*I'd* find somebody. 'Cause if they ain't nobody to fight, it ain't no life. I don't know...it ain't no....'

" 'It ain't no fun.'

" 'Yeah! Ain't no fun just sittin' there. Anybody can just sit around, just drink, smoke a little Thai. But that ain't fun like shootin' guns and stabbin' people. *That's* fun.' "

As Los Angeles County Sheriff Sherman Block puts it in a

wind-up interview: "What scares me more than anything else is not merely the level of violence, but the level of *tolerance* for violence....We have only one next generation at a time."

Journalism is not the only source of useful observations about gangs. Some scholars manage to break through the conventions of sociology. Consider *Islands in the Street*, which emerges as a truly original effort in the literature of gangs. Martin Sanchez Jankowski, chair of the Chicano/Latino project at the University of California at Berkeley, still has many of the old academic habits. He is vaguely sympathetic toward gangs and all too willing to justify their actions. (After 10 years of hanging around gangs, car theft probably seems no more controversial than brushing your teeth.) Yet Jankowski, in the true spirit of scholarship, is willing to follow his observations to the point where the old molds break down. The result is a totally new perspective.

To put it simply, Jankowski finds it much more fruitful to think of gangs in the context of *politics* than in the context of crime. Gangs carry on a very taut, intense dance with their communities. Sometimes they are resented for the drugs and violence they bring. But just as often, they are looked upon as neighborhood heroes, particularly when they drive out some alien force, which they often do. When gangs become wholly predatory and murderous, as they have in black Los Angeles, it may not be so much a function of gangs as an indication that the neighborhood itself is breaking down.

Jankowski begins with an eminently sensible observation. Gang members, he says, are not the romantic rebels or existential heroes that intellectuals are always discovering. "There have been some studies of gangs that suggest that many gang members have tough exteriors but are insecure on the inside," he notes. "This is a mistaken observation."

Instead, gang members generally embody what he calls "defiant individualism." They are wedded to the physical side of life, often fighting simply to test their own mettle and toughen themselves. (Jankowski himself was beaten twice during his sojourn.) Gang members are intensely competitive, generally mistrustful, extremely self-reliant, and ostentatiously defiant; they have a social-Darwinian view of the world that leaves them in isolation. Generally, they believe the world is a vicious place run on the same principles they find in themselves.

Once formed, however, gangs are very careful to assess their place in the community. In particular, they are cautious not to commit petty crimes—robbery, burglary, auto theft—among the people they know. Instead, they judiciously export their crimes. Within their own neighborhoods, they specialize in services of a strong-arm variety. Gangs will torch buildings for landlords, carry out contracts against undesirables, offer "protection" to storeowners, and run small gambling rackets (when not yet into dope dealing).

As Jankowski puts it, they are the "neighborhood militia." They protect local residents from outside criminals (many Mafia neighborhoods are extremely safe from street crime) and generally defend against what they perceive to be alien forces. Jankowski recounts the story of one Boston gang that repulsed gentrification by vandalizing a condominium building that was going up on the block.

This is why gangs always have some support within their communities—and why the police often find themselves frustrated, even hated, when they try to "crack down." As one 52-year-old New York housewife put it: "I think the police don't like them because they are jealous that the gangs do a better job of protecting us than they do."

When gangs become wholly predatory and murderous, as they have in black Los Angeles, it may not be so much a function of gangs as an indication that the neighborhood itself is breaking down.

It is not surprising, then, to find that gangs eventually reach up into politics. Of the 37 gangs Jankowski studied over 10 years, every single one had established some kind of relationship with local politicians. These contacts, always extremely circumspect, generally involved "get-out-the-vote" efforts. The reward was money or participation in public programs, plus an occasional dubious promise to call off the police for a while.

So the conclusions of many sociologists are generally correct—with some important disclaimers. Gangs do indeed play a role as alternative socializing institutions. They appeal to those least likely to succeed, even within their own neighborhoods—people of a basically antisocial nature who operate on the principle that might makes right. Although they maintain an uneasy peace with their community—and are often looked to for help—the gang is essentially a dead end. Very few graduate into organized crime. Most eventually stumble into family life, although some never give up gang life and become dissolute.

Only in black neighborhoods have gangs turned in upon themselves, compressing the emotions and ambitions of a lifetime into one brief, furious adolescence. The awesome, death-dealing psyches of the 14-year-olds in *Do or Die* are not necessarily the product of gangs. They are more an indication that adult life itself is breaking down in these communities. ◼

Contributing Editor William Tucker is a writer in New York City and author of Vigilante: The Backlash Against Crime in America.

SAMURAI AND SEXUAL DEVIANTS

By Brink Lindsey

Rising Sun by Michael Crichton, New York: Alfred A. Knopf, 355 pages, $22.00

Zaibatsu America by Robert Kearns, New York: The Free Press, 256 pages, $22.95

"The philosophy of protectionism," Ludwig von Mises once wrote, "is a philosophy of war." Protectionism—or, more broadly, economic nationalism—rests on the belief that there are irreconcilable conflicts between nations, that one country's prosperity comes necessarily at the expense of others. It's a zero-sum vision of the world, in which every winner implies a corresponding loser. Mises was right: This is the kind of thinking that gets armies shooting at each other.

If you think this sounds a little overblown, you ought to read *Rising Sun* and *Zaibatsu America*. The first is a best-selling novel by Michael Crichton, a well-known writer, with an afterword asking for the book to be taken seriously and even a bibliography of nonfiction sources. The second is authored by Robert Kearns of the Economic Strategy Institute, the think tank headed by Clyde Prestowitz that has become a major voice for economic nationalism. Both books take as their subject the rise of Japanese investment in America, which both regard with alarm.

What is striking about these books, though, is neither their subject nor their point of view, but rather their rhetoric and tone. These books read like war propaganda.

For starters, just look at the titles. The "Rising Sun," of course, was the name of the Japanese battle flag during World War II—the implication being that there is some connection between Japanese business today and Japanese aggression of a half century ago. The *zaibatsu* reference is more obscure: These were the huge, family-dominated, vertically integrated industrial groups that supplied the imperial Japanese war machine. Broken up during the MacArthur occupation, they were replaced by *keiretsu*, large conglomerates linked through a dense network of cross-shareholding.

Keiretsu has now become a popular buzzword in trade-policy debates, with critics of Japan commonly deriding these groupings as exclusionary and cartelistic. One wonders why Robert Kearns didn't title his book *Keiretsu America*; that would have been inflammatory enough, suggesting Japanese control of our economy, and many more people would have understood the reference. Apparently Kearns, like Crichton, couldn't resist linking current Japanese business practices with the crimes of World War II.

Throughout *Zaibatsu America*, Kearns uses military imagery and metaphors to suggest that the Japanese are a hostile threat. Here are some representative turns of phrase: "sudden onslaught of Japanese capital"; "at stake is nothing less than America's economic sovereignty"; "arsenal of almost unlimited cheap financing"; "this historic invasion of the U.S. economy"; "Japanese companies wage business in the old samurai tradition"; "Japan's massive sortie into high-tech America." Get the picture?

Kearns even stoops to crude racial stereotyping. He gets in digs such as "the competitive pack instinct, a key ingredient in the *zaibatsu* way"; "the Japanese herd mentality"; "groups of Japanese flowing amoeba-like in and out of Tiffany's"; and "the enigmatic, *zaibatsu* monolith." Why not just come out with it and call them the inscrutable yellow horde? After all, Kearns is not above implying that the Japanese are perverts: In one passage he describes typical Japanese commuters, "read[ing] their pornographic comic books, filled with bound women." (Comic books, called *manga*, are very popular in Japan; only a tiny fraction of them, though, are sexually explicit.)

As bad as this stuff is, it pales in comparison with the rhetoric in *Rising Sun*. I imagine that Crichton could use the Sister Souljah/Ice-T defense and claim that these are just fictional characters saying these things. Let me assure you, though, that the following statements are meant to be read sympathetically:

"This country is in a war and some people understand it, and some other people are siding with the enemy. Just like in World War II, some people were paid by Germany to promote Nazi propaganda. New York newspapers published editorials right out of the mouth of Adolf Hitler. Sometimes the people didn't even know it. But they did it. That's how it is in a war, man. And you are a [expletive] collaborator."

"As our economic power fades, we are vulnerable to a new kind of invasion. Many Americans fear that we may become an economic colony of Japan, or Europe. But especially Japan. Many Americans fear that the Japanese are taking over our industries, our recreation lands, and even our cities....And in doing so, some fear that Japan now has the power to shape and determine the future of America."

"The American press reports the prevailing opinion. The prevailing opinion is the opinion of the group in power. The Japanese are now in power. The press reports the prevailing opinion as usual."

"You realize that Japan is deeply into the structure of American universities, particularly in technical departments."

"The government. They own the government. You know what they spend in Washington every year? Four hundred million [expletive] dollars a year....Now you tell me. Would they spend

all that money, year after year, if it wasn't paying off for them?"

❧

"You know, I have colleagues who say sooner or later we're going to have to drop another bomb. They think it'll come to that." He smiled. "But I don't feel that way. Usually."

❧

Sexual deviance, which Kearns alludes to in passing, actually provides the central plot device in *Rising Sun*. It is the investigation of an L.A. call girl's murder—she is a white woman, catering to Japanese clients, who is killed during kinky sex—that ultimately uncovers a foul Japanese conspiracy to buy up some of America's high-tech crown jewels. Along the way, a friend of the victim—another prostitute who services a Japanese clientele—describes in lurid detail the various bizarre acts that her customers request. She concludes this way: "A lot of them, they are so polite, so correct, but when they get turned on, they have this...this way....They're strange people."

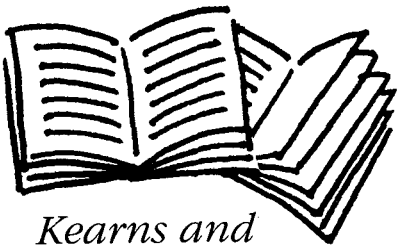
Here, then, is the image of the Japanese that these books convey: hostile and warlike; lacking individuality (and thus not fully human?); conspiratorial and devious; sexually deviant. Kearns and Crichton press all the right subconscious buttons; they appeal to our lowest and most dangerous emotions—fear and hatred—just like classic wartime propagandists. They even sink to cashing in on sexual taboos, in particular discomfort with interracial sex. The clear purpose of their rhetoric is to demonize Japan, to make it the Enemy.

Let's look now at the factual assertions made in these books. Basically, the Japan-bashing mantra goes like this: The Japanese industrial economy is more or less one giant conspiracy, united through the *keiretsu* and guided and subsidized by MITI, the Ministry of International Trade and Industry. The purpose of this "Japan Inc." conspiracy is to accomplish through commerce what imperial Japan failed to do by force of arms: dominate the world.

The first step is to ensure a secure home base by making the Japanese domestic market all but impenetrable to foreign goods. The next step is to launch an export "invasion," carefully targeted at key basic industries like textiles, steel, consumer electronics, and automobiles. In the United States, this invasion destroys entire industries, primarily through predatory "dumping"—prolonged sales below cost financed by monopoly profits back in Japan. Next the conspiracy moves into high-tech, wiping out the U.S. memory-chip industry and challenging American supremacy in computers.

The ground now softened up, Japan Inc. begins exporting its capital: setting up "transplant" factories, buying up major companies and real estate, financing the federal deficit, and generally transforming America into its economic colony. To facilitate this takeover, Japanese money insinuates itself into government, the media, the universities, and think tanks, buying "agents of influence" to lull the American people into complacency while economic sovereignty is lost.

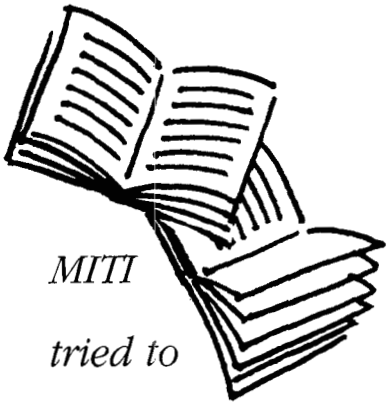
It's a good script; just think what Oliver Stone could do with it. It would take a book to unravel all the distortions and inaccuracies on which this conspiracy theory rests (a book that, unfortunately, has not yet been written). Let me take a few shots, though, at some of the more glaring problems:



Kearns and Crichton appeal to our lowest emotions: fear and hatred. They even sink to cashing in on sexual taboos, in particular discomfort with interracial sex. The clear purpose of the rhetoric is to demonize Japan, to make it the Enemy.

1. Japan's market is by no means hermetically sealed. Japan is the No. 2 customer in the world for American exports, trailing only Canada; Japan imports more American goods than Britain, France, and Italy combined. Yes, Japan runs a trade surplus with the United States; however, on a per-capita basis, the average Japanese buys more from the United States than the average American buys from Japan ($372 versus $357 in 1990). With regard to trade barriers, Japan's tariffs and quotas are comparable to those in the United States—a little worse, maybe, in agriculture, but probably a little better in manufactured goods. And everyone acknowledges that Japan has become less protectionist in the last decade than it was in the 1960s and '70s. This is inconvenient for the conspiracy theorists, since the huge trade surpluses of the '80s came at a time of admitted liberalization.

2. MITI is not omniscient. MITI tried to stop Sony from making transistor radios; it urged the consolidation of Japan's decentralized auto industry into a Big Three–style oligopoly; it discouraged Honda from getting into the car business. More recently, the ballyhooed Fifth Generation Computer Project just completed its 10-year run, a fizzling flop. Meanwhile, Japan has wasted its fair share of money subsidizing "sunset" sectors of the economy such as shipbuilding, mining, and agriculture. Japanese business success is a function primarily of entrepreneurial vision and managerial excellence, as well as a relatively favorable tax and regulatory environment—not con-



MITI tried to stop Sony from making transistor radios, and it discouraged Honda from getting into the car business. More recently, the ballyhooed Fifth Generation Computer Project just completed its 10-year run, a fizzling flop.

spiratorial string-pulling by infallible bureaucrats.

3. There's nothing unfair or predatory about Japanese import penetration of the U.S. market. In general, and it is embarrassing even to have to say this, low prices (including low import prices) are good for consumers and good for competition: Getting the best at the lowest price is what economic activity is all about. The only way that low prices can be harmful is when they are part of a successful predatory pricing strategy—that is, when one producer drives all his competitors out of the market so that he can then charge inflated, monopoly prices. The harm in that case is the long-term high prices that outweigh the short-term low prices. Economists generally agree that predatory pricing is seldom attempted and almost never succeeds; the costs are too high, the gains are too speculative, and reentry into the market by displaced or new competitors is too easy.

None of the major Japanese import successes—color televisions, automobiles, computer chips—can be characterized as examples of successful predatory pricing. Yes, these successes came at the expense of American companies. And yes, price competition played a part in these successes (though quality and reliability were important, too). But the simple fact is that in none of these cases have Japanese companies attained monopoly positions; collectively, Japanese companies have about 30 percent of the American color-TV market, about 30 percent of the American car market, and about 25 percent of the American computer-chip market. No monopoly, no predation—without monopoly there is no opportunity to recoup earlier losses through jacked-up prices. All the Japanese companies have done is engage in hard-hitting, beneficial competition.

4. Japanese competition has strengthened, not weakened, American industry. Detroit and Big Steel were bloated, bureaucratized, and inefficient before the Japanese came to play. The shakeout has been traumatic, and isn't finished yet, but gains in productivity and quality have been impressive. Meanwhile, the Japanese challenge has forced U.S. semiconductor manufacturers to improve factory efficiency and to focus on their strengths in design innovation. American computer makers, too, have been kept on their toes by dogged Japanese pressure. Throughout the U.S. economy, companies are adopting Japanese business methods—just-in-time inventory, greater cooperation with suppliers, greater involvement of workers in decision making—to improve their performance.

5. Japanese influence isn't all it's cracked up to be. During the 1980s, when the Japanese supposedly started pulling our strings, American policy actually veered sharply against Japan. The U.S. government erected all sorts of new barriers against Japanese imports; it imposed quantitative limits on automobiles, steel, and machine tools; it instituted price controls on computer chips; and it socked dozens of different products with punitive "antidumping" duties. At the same time, the United States became increasingly bellicose about real and imagined trade barriers in Japan. In particular, Japan was designated an "unfair trader" under "Super 301" and threatened with sanctions unless it opened its markets. On the whole, Japanese interests have been taking a beating in the American political process.

6. The Japanese juggernaut has hit a snag. The real-estate and stock-market bubble, which helped supply Japanese industry with cheap capital during the '80s, has finally burst—the Nikkei has lost over half its value since 1990. Banks are staggering under the weight of bad loans; corporate giants, with profits pinched, are cutting back on R&D and capital spending and slowing down product cycles. Economic growth, which had been rollicking along at 6 percent to 8 percent a year during the '80s boom, is not expected to exceed 2.5 percent this year. With trouble at home and the United States in recession, the supposed Japanese takeover of America has been waylaid: New direct investment was down nearly 75 percent, to $5.1 billion, in 1991. It appears the Japanese aren't 10 feet tall and bulletproof after all.

All of the misconceptions of the Japan bashers, and all of their hate-filled emotional baggage, can be traced back to one central fallacy: namely, that trade benefits one party by beggaring the other. This fallacy leads its dupes to see the wealth gains and competitive stimulus of imports as an "invasion"; the new blood of foreign investment as a "takeover"; the blessings of a global division of labor as "dependency." If unchecked, as it was in the 1930s, this fallacy can lead to war.

Brink Lindsey is director of regulatory studies at the Cato Institute.

THE CRIMES OF WALL STREET

By Paul Craig Roberts

Eagle on the Street by David A. Vise and Steve Coll, New York: Scribner's, 395 pages, $24.95

Stealing the Market by Martin Meyer, New York: Basic Books, 208 pages, $23.00

Merchants of Debt by George Anders, New York: Basic Books, 328 pages, $23.00

Highly Confident: The Crime and Punishment of Michael Milken by Jesse Kornbluth, New York: Morrow, 384 pages, $23.00

The latest spate of books about Wall Street tell us more about the culture of publishers and journalists than about the workings of financial markets. Distressingly, the ethics of authors and publishers seem lower than those of the "cowboy capitalists" who allegedly stole the market in the decade of greed and ruined the country with debt. It is almost as if the publishing world is controlled by a puppeteer who pulls a string and out pour scenarios of greed unleashed by Reaganomics.

Books purporting to be factual are laden with novelistic dialogue that no writer could have overheard or remembered if he had. Dialogue intended to convey reality to imagined events leaves the reader with the impression that he is reading a historical novel in which the imagination of the author creates the story. Clearly, publishers want a good story, and its veracity is of no import.

Eagle on the Street, by *Washington Post* reporters David Vise and Steve Coll, even goes so far as to advertise on the book jacket the "novelistic flair" with which the authors "unravel all the threads of excess that characterized" the decade of greed. "Here, finally," the publisher tells us, "is the complete account of the most infamous economic debacle of our century, the story of how the Securities and Exchange Commission, under the sway of Reaganomics and the leadership of John Shad, brought deregulation to the stock market and helped fuel the great bull market while planting some of the seeds for the 1987 crash."

The 1987 crash? A book published in the 1990s that uses a distant, short-lived event of no lasting import as authority for a portrait of ruin? I well remember how the political left tried to use the crash of 1987 to resurrect itself from the tomb in which the long Reagan expansion had placed it. The left wing was convinced that the Reagan Depression had begun and that it would bring the final demise of capitalism. The rapid recovery of the market and its move to new highs made the left appear even more foolish. Unable to accept reality, the political left has found refuge in a world of pretense created by books.

But did the Securities and Exchange Commission do battle with Wall Street and lose, as Vise and Coll seem to think, or did the giant brokerage firms, with help from the SEC, steal the stock market from investors, as Martin Mayer writes in *Stealing the Market*? Mayer, who is no fool and has insights, blames the modern technology of the computer age for stealing trading away from open exchanges and diverting it to back alleys. The view seems ingrained in many writers that financial markets are mechanisms for stealing from the public and must be ever more tightly regulated.

Similarly, *Merchants of Debt*, by *Wall Street Journal* reporter George Anders, purports to be the story of Kohlberg Kravis Roberts and "the mortgaging of American business." Perhaps it is, but it cannot escape the obligatory role of being also the history of "undemocratic capitalism" that cruelly destroys jobs and companies in order to make a few rich. The 18 million new jobs of the Reagan era and the restructuring of companies that caused asset values to rise faster than debt are lost in the telling. The desperation to pour failure all over the 1980s is the hallmark of the Wall Street literature of our time.

Among the Wall Street books, the contrarian is Jesse Kornbluth, whose *Highly Confident: The Crime and Punishment of Michael Milken* is a blockbuster. Unlike James Stewart, whose *Den of Thieves* is based on the false testimony of Ivan Boesky and self-serving leaks from the SEC and U.S. Attorney's Office, Kornbluth digs deeply into the Milken story. What emerges is a picture of U.S. prosecutors as highly unethical scalp hunters determined to get Milken at all costs, irrespective of his innocence or guilt. The federal prosecutors who chased Milken to ground emerge as incompetent scumballs who didn't know the difference between a put and a call but had no qualms about lying to Judge Kimba Wood in their sentencing memo if it would help to nail their man.

Kornbluth's book gets its credibility from 400 hours of interviews with Milken; 10,000 pages of documents; transcripts of Boesky's secretly taped conversations with Milken; personal diaries; lawyers' memos; and interviews with key participants in the prosecution. Although Kornbluth doesn't always tell us exactly what he thinks, the picture that emerges is one of extraordinary prosecutorial abuses that in the end coerced a plea from a broken man. "Welcome to Iran," as one of Milken's attorneys put it.

Milken emerges as a man whose genius and confidence built a financial empire and many flourishing companies, but when it came to his own case he was unable to make a single shrewd decision in five years. Generous in sharing his wealth and time with the unfortunate, he insisted on no public recognition. This isolation left him unknown to the public, a persona to be defined by prosecutors and their shills in the media.

In Kornbluth's account, the persecution of Milken is a replay of the Salem and McCarthy witch hunts in which common vengeance writes the law. To get a better deal from the govern-

Once it became clear to prosecutors that they could not bring a Boesky-related case against Michael Milken, they launched a terrorist campaign, neutralizing Milken's witnesses with target letters and leaking disinformation to reporters.

ment, Boesky, a real inside trader who paid with suitcases of cash, lied about Milken. Delighted to have a bigger fish in their net, ambitious prosecutors, who knew nothing about the financial world, got far out on a limb with a case that made no sense to any knowledgeable person. After two years, the prosecutors learned that their case was absurd.

The details made no sense. No one would have the long and short stock positions that were ascribed to the alleged scheme. Moreover, Boesky lost money on trades allegedly based on insider information from Milken. Most striking of all, if Milken controlled Boesky, why in the world would Boesky need Dennis Levine?

Once it became clear to the prosecutors that they could not bring a Boesky-related case against Michael Milken or put Ivan Boesky on the stand as a witness, they launched a terrorist campaign, neutralizing Milken's witnesses with target letters, leaking disinformation to reporters such as David Vise of the *Washington Post*, and even destroying innocent firms such as Princeton/Newport in order to terrorize Drexel Burnham and its weak chairman, Fred Joseph.

Along the way Milken lost his lead lawyer, Edward Bennett Williams, to cancer. Williams had sized up U.S. Attorney Rudolph Giuliani as "raw political meat—a mediocre lawyer with all the drive necessary to get to the top in a shitty place like New York." "Don't be surprised," Kornbluth reports Williams as warning his client, "if the methods of the government create an atmosphere in which people perjure themselves." In other words, the government would do anything, including suborn perjury, to win the case.

Another blow to Milken was the resignation of Charles Carberry, who headed the securities fraud division in Rudolph Giuliani's office. Kornbluth contends that Carberry "couldn't have had less in common with his boss." Carberry was a member of the old school whose rule was "never sink to the level of the defendants." Uncomfortable with the new office's mentality—"win at all costs, we'll worry about the appeal"—he got out. If Kornbluth's account is even half true, we have to wonder from what cesspool the Giuliani team crawled.

Kornbluth reports that prosecutors told one Milken client that damaging leaks to *The Wall Street Journal* during the investigation were "part of our strategy." U.S. Attorney General Dick Thornburgh reportedly described the tactic of holding Milken's brother Lowell as a hostage to be released in exchange for a Milken plea as "a brother for a brother."

John Carroll, who prosecuted Milken for Giuliani, has since admitted that in the Milken case "we're guilty of criminalizing technical offenses." Carroll told an audience at Seton Hall Law School that "many of the prosecution theories that we used were novel. Many of the statutes that we charged under...hadn't been charged as crimes before....We're looking to find the next areas of conduct that meets any sort of statutory definition of what criminal conduct is."

Kornbluth notes that the public's view of the Milken case, the most widely publicized business story of the 1980s, "was shaped by just a handful of writers." Their reporting, "with its implicit message that Milken was badly in need of prosecution, had enormous impact on journalists and editors across the country." James Stewart, Steve Coll, David Vise, Connie Bruck, Benjamin Stein, and Michael Thomas were incredibly biased against Milken, with the latter two spewing out venomous hatred.

Kornbluth quotes Stein, of *Barron's*, as describing junk bonds as a "boiler room scam" sold through a "complex Ponzi scheme" to a fraternity of buyers whose minds were fogged by the "use of drugs." Thomas, a writer for *The New York Observer*, wanted Milken sentenced to Leavenworth, where "the prospect of having one's sphincter enlarged to the circumference of the Holland Tunnel by the rigors of the prison social calendar often works wonders when it comes to refreshing memories clouded by the Fifth Amendment." Of course, Milken never invoked the Fifth Amendment.

Kornbluth shows that Milken's lawyers made mistakes, because they relied on facts, and facts didn't count. Hostility to the monied—particularly a vulnerable member of the rich who was not protected by the establishment—and careers fed by the collection of scalps played a far bigger role than facts or law. Justice was not even a participant.

Giuliani underling Bruce Baird is quoted as saying that "I have less sympathy for [Milken and his ilk] than for the Mafia." "Bruce never lied," says one Milken attorney, "he always told us he was determined to crush Milken." Other participants in the persecution of Michael Milken—Jess Fardella of the U.S. Attorney's Office and Gary Lynch and Richard Breeden of the SEC—come across as uninformed zealots not overly burdened with integrity.

Liberal academics have done a lot of damage with their propagandistic picture of the economy as a zero-sum game in which riches are based on theft from the deserving. In Kornbluth's view, this description of money making more or less sums up the view of the SEC's enforcement lawyers. The unprecedented scale of the money making in the 1980s suggested massive criminality to them.

As Kornbluth puts it, "Lynch and his associates were thoroughly sick of the mergers and acquisitions orgy of the 1980s. They'd never had any respect for the intellectual underpinnings of this explosion. For them, the economists of the 'Chicago School'—the high priests of what some people called the Reagan 'revolution'—were just political hacks in disguise, outright charlatans who preached dressed-up crap that was credible mostly to number-crunching twenty-six year olds.

"But the SEC's enforcement lawyers understood why ordinarily sober business people parroted this ridiculous free-market, trickle-down supply-side ideology: The immense profits washing over Wall Street had made the players crazy. Formerly sane men now talked as if the markets were not just efficient but morally correct."

Prosecutors clung to their portrait of Milken as the most dangerous criminal on Wall Street, a man who would have to be crushed and removed from the markets. To coerce a plea when they had no case, they used RICO—the Racketeer Influenced and Corrupt Organizations Act. RICO was the work of Robert Blakey, the son of a banker. Blakey, Kornbluth reports, had been "deeply influenced by Edwin Sutherland's 1949 study, *White Collar Crime*, which argued that there was a continuum between violent street crime and white collar offenses."

Anyone convicted under RICO gets 20 years in prison for each count, even if already tried, convicted, and jailed for the offenses that qualify as racketeering. The law's real power, however, is economic. It permits seizure of all assets prior to trial and can even attach the defendant's lawyer's fees.

Faced with RICO and shaken by the government's highly unethical and unrelenting attack, Milken felt he had no recourse but to meet the government's demand for a plea bargain. His lawyers crafted a carefully drawn one. His lead attorney, Arthur Liman, pointed out that prior to 1986 no criminal prosecution had ever been brought for the offenses that constituted felonies for Milken.

No one had ever been charged with aiding and abetting the filing of a false 13(d) schedule by another party, nor for aiding bookkeeping and record violations by another broker, nor for failing to disclose an attempt to recoup expenses from a portfolio manager. Yet an inexperienced judge, seduced by the prosecutors, aided and abetted the criminalization of petty civil charges by giving Milken an unprecedented 10-year sentence.

Milken had been warned. His brother Lowell advised him never to trust the government. Drexel lawyer Peter Fleming advised him to never give on principle. Lowell Milken's lawyer, Michael Armstrong, recognized early in the case that it rested on Boesky's allegations and proposed a $1-million reward for information that would convict Boesky for lying to the government. This innovative scheme was deep-sixed by Michael Milken's attorneys, who initially believed that the problem was inexperienced government prosecutors unfamiliar with the securities business. Let's just tell them the facts, they reasoned.

Wall Street and the corporate establishment felt threatened by Milken and Drexel and wanted them out of the way. They got their wish. In retrospect, it is clear that the wild charges that Milken's fortune was based on fraud and insider trading are untrue. The image of junk bonds as a Ponzi scheme was a useful prosecutorial illusion, but today's flourishing junk-bond market and junk-bond mutual funds gives the lie to the characterization used to brand Milken a master criminal.

But the myth of Milken's criminality continues to be perpetuated by a media too irresponsible to be informed. Recently, *People* magazine listed Milken as a celebrity who was imprisoned for insider trading. His attorney Alan Dershowitz wrote to *People* to correct the mistake. He reports that he received a reply from the magazine's lawyer that he saw no reason to correct the mistake, because the magazine was not a publication of record and its readers did not expect precision or accuracy. Moreover, since Milken had originally been charged with insider trading, it was all right for *People* to list that as his offense.

The Milken persecution has advanced the criminalization of business to new heights. And this was done by Republicans. Just wait until the left-wing Democrats get into office. ◼

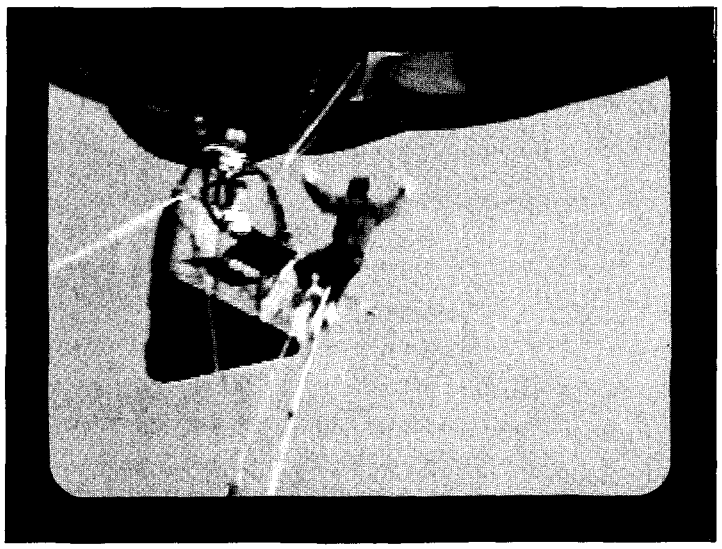
Paul Craig Roberts has the William E. Simon Chair in Political Economy at the Center for Strategic and International Studies in Washington, D.C.

People *magazine recently listed Milken as imprisoned for insider trading. His attorney wrote* People *to correct the mistake. The magazine's lawyer replied that there was no reason to correct the mistake because* People*'s readers did not expect accuracy.*

LEAPING TO CONCLUSIONS

BY JACOB SULLUM

Adina, a pretty blonde college student and part-time model, is on a *Studs* date. She says she wanted to do "something different." That's why she's standing in a manure-scented field in Nuevo, a small town in Riverside County, California, early on a Sunday morning. Now she may be wishing that she and her date had driven up to Santa Barbara or cruised out to Catalina instead. She is smoking to calm herself down. "I'm so scared," she says repeatedly.



As I plunge 150 feet, until the cords are fully extended, my body is convinced it's going to die.

There are about 10 customers, including three couples, all in their 20s, all first-time jumpers. We make nervous jokes as we report our weights, sign the forbidding liability waivers, and put on the harnesses. As it turns out, Adina will jump last, so she has plenty of time to worry. I get to go first.

The employees of Jumpin' Joe Bungee hook my waist and shoulder harnesses to a set of three elastic cords, each about half an inch thick; the other end is attached to the basket of the hot-air balloon. I get in, and co-owner Alan Trull blasts the torch several times, until we are about 250 feet up, tethered to a van on one side and a pickup truck on the other. At Trull's signal, I climb out of the basket and onto the little wooden platform in front of it. The cords are between my legs, and I am facing the basket, hanging on to avoid falling prematurely. He calls out, "Countdown! Three, two, one—BUNGEE," and I leap back.

If you watch my jump on the videotape (free with the ad from the *L.A. Weekly*), you will hear a collection of shouts and screams as I leave the balloon. Some of them may be mine. As I plunge 150 feet, until the cords are fully extended, my body is convinced it's going to die. For a moment I am motionless. Then I shoot up about 100 feet and fall again. I am laughing, so this must be fun.

After I stop bouncing, Trull brings the balloon down, and I land on my feet. The guy with the camera asks for my impressions. "Pretty cool," I say. "But it was too short." Although a bungee jump is much more intense than a roller-coaster ride, it's over a lot sooner. It's also expensive: Jumpin' Joe Bungee, which is based in Moreno Valley, charges $79 for a balloon jump, $59 for a pair of 100-foot bridge jumps. But if someone else picked up the tab, I'd gladly do it again.

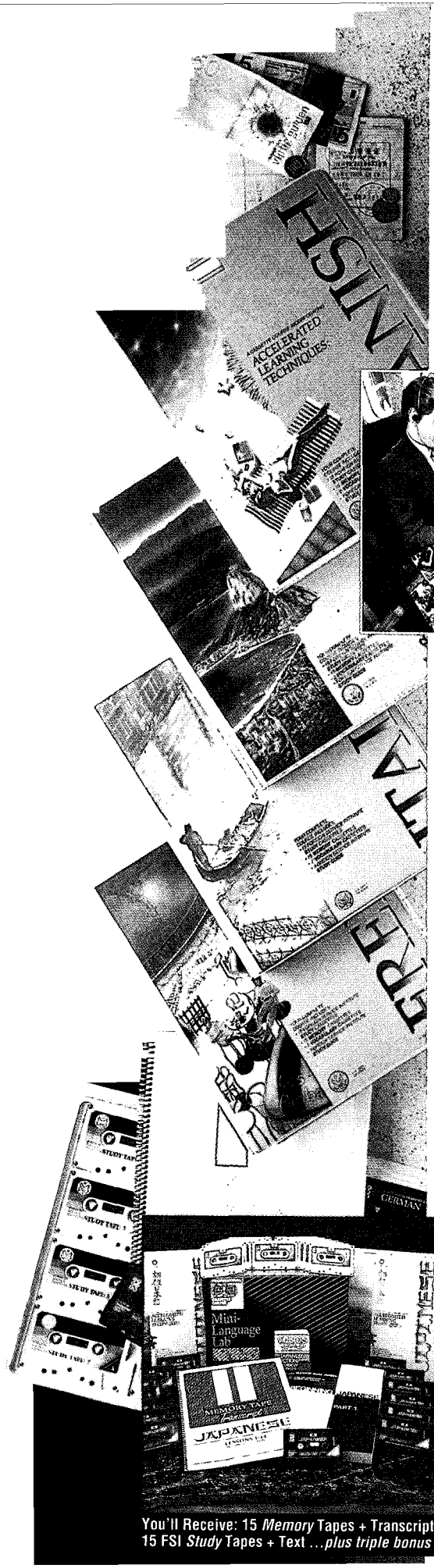
Now let me explain why I'm not crazy. Bungee jumping is a lot safer than it might seem. There have been well over 1 million bungee jumps in the United States since the first commercial operation opened in 1988. During that time, there have been two fatal incidents and about a dozen other accidents that resulted in serious injuries. That record makes bungee jumping less risky than many sports, including skydiving, rock climbing, water skiing, and even roller skating. In fact, jumping from that balloon was less dangerous than driving from Los Angeles to Nuevo and back.

Still, bungee jumping tends to provoke extreme reactions. The people I've talked to seem to be divided into three groups: those who would jump at the chance; those who understand the appeal but think it's too scary; and those who can't imagine why anyone would want to do such a foolish thing. Unfortunately, a lot of people with that third attitude are in positions of power. A fatal bungee accident in Michigan last summer has set off a flurry of regulation, including temporary bans in Florida, New Jersey, and Pennsylvania.

Now an industry that has been growing by leaps and bounds during the last few years—from about 10 operators nationwide in 1989 to hundreds today—is threatened by an uncertain legal climate. "I can't even guess what they're going to do next," says Trull, co-owner of Jumpin' Joe Bungee. "One day it's illegal, the next day it's not....It's like spinning a wheel. What are they going to land on?" The regulations are unpredictable largely because they're driven by isolated events. Rather than assessing the hazards of bungee jumping realistically, regulators and legislators are acting on fear and misinformation.

In a sense, this is understandable. "The perceived risk is very high because it's so visual," says John Wilkinson, secretary of the North American Bungee Association and owner of Total Rebound in Napa. "The media go crazy. They get this video image of a guy falling....It's very sensational." It doesn't help that many Americans were introduced to the sport by a 1990 Reebok commercial that shows a Nike-wearing bungee jumper plunging to his death.

COURTESY OF JUMPIN' JOE BUNGEE



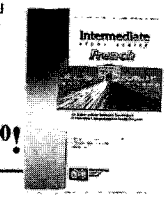
SPANISH $265.00	FRENCH $265.00	BRAZILIAN/PORTUGUESE $265.00	ITALIAN $265.00
JAPANESE $285.00	MANDARIN CHINESE $285.00	GERMAN $265.00	RUSSIAN $285.00

*Each Language Set includes 30 Cassette Tapes and a Triple Bonus**

NEW INTERMEDIATE COURSES!

We now offer 4 new Intermediate Courses, for serious students of languages. Based on Accelerated Learning techniques, you can further your study in the same way!

Just $225.00!



Learn Foreign Languages ... *Incredibly Fast!*

Conversing in a foreign language is a major social and business asset which brings new life to travel, entertainment, and relationships. The technique of *accelerated learning*, as used by these foreign language courses, allows anyone to comfortably converse in a new language *within 30 days.*

Accelerated learning, developed by famed learning expert **Dr. Georgi Lozanov,** is based on involving *both hemispheres* of the brain in the education process. The analytical (or logical) **left** side of the brain, when properly activated with the musical (or artistic) **right** side, both *increases the speed and heightens the retention* of learning. Using these untapped mental capacities of your learning ability is the basis of these unique, highly effective courses.

> **"American Managers with Language Skills Open More Doors"**
> *–Wall Street Journal Editorial*

You will learn your new language as *stresslessly* as a child does, by hearing new vocabulary and phrases in alternately loud, whispered, and emphatic intonations, all accompanied by slow rhythmic music in digital stereo. This perfect combination of music and words allow the two halves of the brain to *work together* to dramatically facilitate your assimilation of the new language.

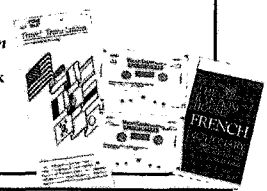
The ***memory*** tapes of this 30-tape package help activate the learning capacities of the brain. The ***study*** tapes are the same proven tapes used by the **Foreign Service Institute** to train its career diplomats. This merging of two concepts gives you two courses in one, and provides the *best of both worlds* in modern scientific language instruction.

Best Value! With a total of 30 cassettes plus study materials *–and triple bonus!*–* this program represents the *best value available today* in language instruction. Compared to other programs, the **Accelerated Learning Series** outperforms them all with **twice the audio** and ***20 times*** the study material.

To correctly converse in a foreign language, you must *understand the meanings and intent* of the native speaker. If, after 30 days of listening to these study and memory tapes, you are not comfortably understanding and conversing in your new language, *return them for a full refund.*

***Triple Bonus!!** ...Order your beginning course now and you'll also receive each of the following in the language you choose:*

- Two 90-minute Vocabulary Tapes
- The *Random House Foreign Language Dictionary*
- AT&T's unique "Point-Talk Translator"–allows you to communicate in that language by simply pointing at the word in English.

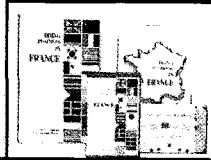


Toll-Free, 24-hours: VISA • M/C • AMEX:
800•85•AUDIO

Direct line for RUSH Orders, Phone 9-5 PDT:
818•896•6956

You may also FAX our offices directly at:
818•896•0272

THE "HOW TO" SERIES ON DOING BUSINESS OVERSEAS



This single-cassette series was created by leading consultants to help companies "go worldwide." Discover everything from negotiating tactics to the best way of presenting your business card. Some topics presented:

- Initial Contact
- Getting Things Done
- Negotiating
- Reaching Agreements
- Dress and Manners
- Social Contact & Entertainment
- Image Enhancers & Taboos

Choose from:

☐ Australia	☐ China
☐ France	☐ Germany
☐ Great Britain	☐ Spain
☐ Indonesia	☐ Japan
☐ Korea	☐ Malaysia
☐ Mexico	☐ Philippines
☐ Russia	☐ Singapore
☐ Thailand	☐ United States

Select your areas of interest, each pro. only: **$14.95**

+ $2.50 per volume S & H, or maximum $10.00 for 4 or more programs

TO ORDER; Phone or send your check, money order or Inst. P.O.

Specify Accelerated Course you wish:

☐ French $265.00 ☐ Japanese $285.00
☐ Spanish $265.00 ☐ Chinese (Mandarin) $285.00
☐ German $265.00 ☐ Russian $285.00
☐ Italian $265.00 ☐ Portuguese (Brazilian) $265.00

Or, select Intermediate Course:

☐ Intermediate French $225.00
☐ Intermediate Spanish $225.00
☐ Intermediate German $225.00
☐ Intermediate Italian $225.00

Name_____

Address_____

City_____ State_____ Zip_____

Credit Card No Exp._____

Signature (Card Orders Only) ☐ DISCOVER
☐ VISA ☐ MASTERCARD ☐ AMERICAN EXPRESS

Need it Tomorrow? Ask Operator for **Express Service**

NOW #1! Over 85% of Fortune 1000 companies have now purchased one or more of our programs.

PROFESSIONAL CASSETTE CENTER
408 S. Pasadena Ave. Suite 4 Dept. RSN
Pasadena, California 91105 U.S.A.

Please add $11.00 shipping & handling. California residents add 8¼% sales tax. All Funds payable in U.S. Dollars. For international orders, please call for shipping.

You'll Receive: 15 *Memory* Tapes + Transcript, 15 FSI *Study* Tapes + Text ...*plus triple bonus*

Because bungee jumping is still relatively new, its mishaps attract a lot of attention. The U.S. Parachute Association reports that about 30 skydivers are killed each year in North America, which is 1.2 deaths per 100,000 jumps, at least five times the death rate for bungee jumping. About 10 percent of skydivers suffer injuries requiring medical attention—thousands of times the serious-injury rate for bungee jumping. But skydiving accidents are old hat, so they don't prompt legislation, and they don't get covered by *20/20* or *A Closer Look with Faith Daniels*.

Furthermore, since bungee jumping is unfamiliar, people tend to assume that accidents occur because the sport is inherently dangerous. A closer look at the deaths and injuries associated with bungee jumping casts doubt on that assumption. Of 11 serious accidents that have been investigated by the North American Bungee Association, all but a few involved employees of bungee operations. This is partly because employees take risks that customers do not. As Carl Finocchiaro, chairman of NABA's Safety Committee, puts it: "Employees at sites tend to partake in experimental activities." These may include acrobatics, tandem jumps, using weights to enhance the bounce, and reverse jumps, in which you spring into the air after being held on the ground while a crane pulls your cords taut.

The two fatal incidents, both of which involved employees, did not result from such stunts, but the circumstances were very unusual. The first fatality, which occurred in California in October 1991, was caused by a hookup error so glaring that the coroner's office could not decide whether the death was an accident or a suicide. The second fatality, in Michigan last July, resulted from the combination of a crane operator's error—he raised a basket instead of lowering it—and a defect in a mechanism that should have stopped the basket from going too high. It's doubtful that regulation would have prevented either of these death. In fact, the Michigan bungee operation *was* regulated; after the accident, the state Department of Labor fined Dore's Bungee Blast $154,000 for 21 violations of occupational-safety standards.

Both deaths prompted responses from state legislators representing the victims' districts. After the California incident, state Assemblyman Paul Horcher (R-Whittier) introduced a law that codifies the permitting process established by state regulators in April 1991, including an insurance requirement. After the Michigan accident, state Sen. George Hart (D-Dearborn) said he would push for a ban on bungee jumping.

Regulators want bungee jumping to be as safe as a merry-go-round. Once they have pigeonholed the activity as an "amusement ride," risks smaller than those readily accepted in a wide variety of sports suddenly seem excessive.

But the most significant fallout from the Michigan accident so far has been in Florida. Last July, the state's commissioner of agriculture and consumer services, Bob Crawford, imposed a 90-day ban on bungee jumping. "They'd had no accidents or injuries in Florida," says Wilkinson, NABA's secretary. "And because of an accident they didn't know anything about in Michigan, they said all bungee jumping is to be halted. That was hours after this accident occurred in Michigan."

Crawford was initially determined to make the ban permanent. But he has since backed off, following criticism from the press and complaints from bungee operators, who had to close down in the middle of their busiest season. "We were taken by surprise," says Thomas J. Woodard, president of Utah-based Air Boingo, which had two bungee towers operating in Florida and one under construction. "We lost quite a bit of revenue....We were pretty upset."

In August, Crawford lifted the ban and replaced it with what he proudly called "the most stringent bungee safety code in place anywhere in the world." Among other things, the new rules ban ankle jumps, balloon jumps (also banned in Massachusetts), and any other jumps of more than 100 feet. They require operators to cover the entire area over which a jumper might swing with an air bag certified for the height of the jump. (These cost $25,000 to $50,000. Most bungee operators do not use air bags; they rely instead on extra cords and connections for added safety.) Operators also have to fence off an area sufficiently large to allow the jumping platform to fall over on its side. These regulations are likely to drive many operators out of business and raise the prices charged by those that remain.

Woodard says the fencing requirement is pointless: If you have an engineer certify your equipment, which Florida also requires, it's not going to tip over. He also objects to a warning sign that all bungee operators in the state now have to display. The sign shows a jumper plunging to the ground after his cord breaks, next to a picture of someone in a wheelchair. Yet bungee cords are very durable; depending upon their thickness, they can support weights of 1,400 to 4,500 pounds. Furthermore, bungee operators generally retire the cords after several hundred jumps, well before they're worn out. Consequently, the cords don't snap. "It's never happened," Woodard says.

State regulators, especially in Florida, would like bungee jumping to be as safe as a merry-go-round. "When a government is seen as responsible because they have to license something, and they have to be in the position of saying something's safe, that's where the regulations are coming from," Woodard says. Once bungee jumping has been pigeonholed as an "amusement ride," risks smaller than

those readily accepted in a wide variety of sports suddenly seem excessive.

In the long run, Woodard may actually stand to benefit from a regulatory crackdown. Air Boingo's 21 towers in the United States and Canada—some of which are joint ventures or franchises—are only 75 feet high, and they're specifically designed for bungee jumping. They include a mechanised pulley system to raise and lower customers, and underneath each tower is a 10-foot-high air bag. Unlike balloon, crane, or bridge jumps, the Air Boingo system is already pretty close to an amusement-park ride. The price is relatively cheap as well: about $25 for the first jump. Woodard says his version of bungee jumping is aimed at families rather than twentysomething thrill seekers.

When I arrive at the Air Boingo tower in the Fiesta Village amusement park near Riverside, fresh from my balloon jump, a man in his 60s is bouncing on the single, wrist-thick cord. (Just before I leave, a married couple comes in with two boys, about 8 and 10.) The supervisor, Chris Deveau, weighs me and watches as I put on the body harness. I follow him up the enclosed metal stairs of the tower, and he hooks my harness to the appropriate cord. He opens the safety gate, and I leap forward—which, I discover, is scarier than going backward. The jump is better than I expected: A nice rush, a few bounces, and I'm lowered to the air bag, where another employee disconnects me. Very efficient.

Deveau is enthusiastic about the Air Boingo system, and he describes all its safety advantages in detail. He suggests it's the wave of the future. I note that a lot of people, perhaps most, will be satisfied with the tower jump, but some will still prefer jumping from a balloon, bridge, or crane, just as some people prefer whitewater rafting to a water ride at an amusement park. Shouldn't they be allowed the choice?

Despite his salesmanship, Deveau agrees. He can understand why some people resist the attempt to tame bungee jumping. He happens to be a rock climber.

Jacob Sullum is associate editor of REASON.

If you agree with Robert Hutchins...

"... knowledge without wisdom has brought us to the edge of destruction and may at any time push us over the brink."

PLEASE GET IN TOUCH WITH
THE WISDOM SOCIETY
1417 LA HABRA, LAKE SAN MARCOS, CA 92069
(619) 744-0819 • FAX 744-4013

Researchers, Writers!

A Good Way To Keep Your Research Notes Is On Index Cards... ...A Better Way Is On Your Personal Computer With SquareNote™ 4.1, *The Electronic Card File.*

"SquareNote... is one of those rare... innovations that actually simplifies my life instead of complicating it..."--
---Professor, Cincinnati, OH

"...You designed a program that works exactly the way I think..."
---Researcher, Helsinki,

SquareNote™4.1 Helps.

♦Gives you better control and access to your research notes. In seconds, you can access any note, select certain notes, arrange them in three different ways.

♦Easily print out all your notes, or just a selected group, to carry with you at work, send to your colleagues.

♦Ensures safety of your research information, because of automatic "backup" on PC.

♦Makes it easier to use your notes to plan a paper, dissertation, article for publication, book, speech, seminar or course.

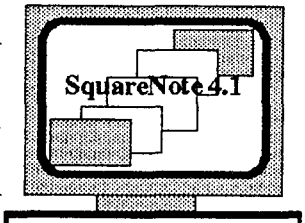
Easy To Learn, Use.

♦**SquareNote 4.1** is the easiest-to-learn, easiest-to-use software ever created for the PC. *It's for researchers and writers, not just for computer experts.* Runs on any PC, used by thousands of writers, researchers, professors, doctors, lawyers, clerics. Winner of *PC Magazine's* Editor's Choice Award.

♦With **SquareNote 4.1**, all your research notes are collected into one accessible, printable, sortable "card file" just like the index card files you have used for years. But much easier to cross-reference your notes. And each "card" holds *100 times more information* than a 3x5 card.

Send No Money.

Special offer to readers of *Reason Magazine:* Call **1-800-428-2032**, our toll-free number open 7 days a week, or write us at the address below. **Send no money.** Just mention this ad, and we'll send you a copy of **SquareNote 4.1** to try at our risk for 30 days. *If you write, include diskette size, telephone number.*



Use it to preserve and organize your notes and ideas, plan your writing! After 30 days of use, if you want to keep it, send us just $99. Or return it and you owe us nothing. **Call now!**

Tel. 1-800-428-2032. Or: Tel. 312-266-2529.
SQN Inc., 60 East Chestnut Street, #342, Chicago, IL 60611.

CONSUMING DEBATE

BY RICK HENDERSON

Both George Bush and Bill Clinton practice voodoo economics every time they discuss their own proposals. Bush says he can cut taxes and reduce the deficit without slashing entitlements. Clinton promises to send an extra $50 billion to big-city bureaucrats, enact national health insurance, boost education and infrastructure spending, and halve the deficit by raising taxes only on foreigners and "the wealthy." I don't think so.

COUNTRY	YR. VAT EST.	INITIAL RATE	1989 RATE	CURRENT RATE
Austria	1973	8%	20%	20%
Belgium	1971	8	19	19
Chile	1975	20	30	18
Denmark	1967	10	22	25
France	1968	13.6	18.6	18.6
Germany	1968	10	14	14
Ireland	1972	16.37	25	21
Israel	1976	8	15	n/a
Ivory Coast	1960	8	25	25
Mexico	1980	10	15	10
Netherlands	1969	12	20	18.5
Norway	1970	20	20	20
South Korea	1977	10	10	10
Sweden	1969	11.1	12.87	20
Turkey	1985	10	15	12
U.K.	1973	10	14	14

Sources: IMF (1988) and Corporate Taxes: A Worldwide Summary (Price Waterhouse, 1992)

Whoever wins the election will have to scale back his promises or come up with more money to pay for them. Bet on the latter.

As the nation's population ages, and as politicians continue to promise that Washington, D.C., can cure any ill, demands on the federal government to provide services will increase. However, the current income-tax code may be squeezing all of the money it can from the economy. Without major spending cuts, federal policy makers will have to find new sources of tax money. New taxes on consumption—probably including some form of a value-added tax—will likely be part of the recipe.

The federal government has always relied on narrowly targeted excise taxes (such as alcohol, cigarette, and other "sin" taxes) or tariffs for some of its revenue. Yet it has never used broad-based consumption taxes. For more than a decade, some members of Congress have tried to change that.

In 1979, House Ways and Means chairman Al Ullman (D-Ore.) devised a VAT and forcefully pushed it. His proposal went nowhere. But Ullman soon (unwillingly) left Washington: He narrowly lost the 1980 election to Republican Denny Smith. As *National Journal* notes, Ullman's defeat can be attributed to more than his support of a VAT—Smith portrayed Ullman as an aloof Beltway insider, and Jimmy Carter conceded his re-election bid before the Oregon polls closed. Still, many potential supporters of a value-added tax link Ullman's high-profile campaign for a VAT with his demise.

Others in Congress proceed undaunted. Sen. Ernest F. Hollings (D-S.C.) calls for a 5-percent VAT to pay for deficit reduction. Sen. John Danforth (R-Mo.) would use a VAT to pay for a cut in capital-gains taxes and to gain other tax incentives for investors. Reps. Henry Waxman (D-Calif.) and John Dingell (D-Mich.) want a 5-percent VAT to pay for national health insurance. Rep. Robert Wise (D-W.Va.) would use his VAT to pay for debt reduction, middle-income tax relief, and infrastructure spending.

These proposals are little more than vaguely stated goals. No one has clearly spelled out how his consumption tax would work. But consumption taxes are being discussed more frequently—and more seriously—on Capitol Hill. "In the seven years I've been here," says a staff member of a congressional tax-writing committee, "this issue has come up more this year than ever before." Bob Ragland, chief tax counsel for the National Chamber Foundation, says, "The business community would be well advised to define a transactions-based tax they can live with and support it. There's a VAT in our future."

Value-added taxes, especially when they're contrasted with income taxes, are pretty popular among economists. In its simplest form, a VAT does a lot of things economists like. For one, a VAT should be easy to calculate and collect. A firm would tally its sales, subtract the value of raw materials and other purchases, and multiply this sum (the "value added") by the tax rate.

A single-rate VAT would also cause fewer economic distortions than the current income-tax code. The crazy-quilt nature of the Internal Revenue Code often encourages businesses (and individuals) to make investments or purchases because the tax code favors them, not because they make economic sense. Companies buy Lear jets and use them as tax write-offs; profitable conglomerates buy money-losing sports franchises to reduce their tax burdens; huge agribusiness concerns get tax breaks to produce ethanol.

And the income-tax code is likely to get more complicated. Such politically popular ideas as targeted investment-tax credits, expanded (and mainly bogus) enterprise zones, and tax breaks for long-term savings all encourage investments that are tax-worthy, but not necessarily

profitable. A single-rate VAT that replaced the corporate income tax would sweep away all these distortion-causing measures.

Finally, a VAT is designed to tax consumption instead of saving. The corporate income tax penalizes success: Companies that make profits have to pay taxes on their earnings. And firms can write off losses, so the government indirectly subsidizes failure.

Economists across the spectrum blame much of the economy's recent sluggishness on our low rate of capital formation. A recent study by Harvard business professor Michael Porter blames stagnant capital formation on investors who, understandably, are reluctant to stick with their portfolios over the long haul. Porter reports that 30 years ago, a shareholder held the average stock for seven years; today, the average investor gets rid of a share of stock in two years. During this time, investment has languished at half the rate of earlier postwar decades.

Taxing consumption, rather than savings, income, and employment, economists argue, would encourage a robust recovery. Murray Weidenbaum, president of the Center for the Study of American Business, defends consumption taxes because they put "the fiscal burden on what people take from society—the goods and services they consume—rather than on what they contribute by working and saving." (Weidenbaum does not advocate value-added taxes; instead he would retain the current income-tax structure and allow businesses to deduct capital spending and other investments.)

The U.S. government receives 18 percent of its revenue from consumption taxes. By contrast, consumption taxes account for 26 percent of revenue in Germany, 29 percent in France, and 31 percent in the United Kingdom. Many U.S. manufacturers continue to believe they could be more competitive overseas if the tax code focused on consumption rather than capital formation.

Once enacted, however, VATs have lost some of their luster. For one thing, few of the 50 countries that use value-added taxes have kept them simple, relying on single rates. "The only purpose of fooling around with multiple rates," says National Association of Manufacturers Vice President Paul Huard, "is to penalize some products. That's a lousy way to run a tax system."

Consider food taxes. "In Italy," notes *National Journal*, "the food VAT ranges from 2-18 percent; in the Netherlands, food is taxed from 6-20 percent, with additional excise taxes applying to sugar, alcoholic beverages and tobacco; in Belgium, the food VAT also ranges from 6-20 percent, but lobsters, oysters and caviar are subject to a 25 percent rate; and in France, the VAT on food ranges anywhere from 5.5-33.3 percent." The VAT has become a new way to institute central planning.

The inherent invisibility of value-added taxes is a great temptation for big-spending lawmakers.

A lot of those people who support a single-rate VAT for this country fear what K Street lobbyists might do to a brand new set of tax rules. House Ways and Means chairman Dan Rostenkowski (D-Ill.) has said, "I don't doubt that a good stiff VAT would take care of our deficit....But I am enough of a politician to predict that, at best, a true VAT proposal would emerge from Congress looking like a lace doily."

Free-market supporters also blanch at the prospect of value-added taxes precisely because they do one thing very well: raise money. Where countries have instituted value-added taxes, says Stephen Moore, director of fiscal policy studies at the Cato Institute, "they have become government growth machines."

Unlike retail sales taxes or withholding-based income taxes, value-added taxes are fairly invisible. A VAT is assessed every time a product goes through a stage of distribution. The log-

Libertarian Republicans

If you're not subscribing to

REPUBLICAN LIBERTY

you've missed articles on:

'92 GOP Libertarian Candidates

Justice Thomas's Libertarian Streak

How to Cut California's Budget by Assmb. Tom McClintock

GOP Drug War Dissenters

Gov. Weld in '96?

Who is Most/Least Libertarian in Congress

Interviews with Jim Pinkerton and Cong. Dick Zimmer

Full 1 Year Membership, (5 issues plus regular Bulletins), is $20.00

$10.00 - Subscription Only

Send Memberships/Subscriptions to:

Republican Liberty Caucus
1717 Apalachee Parkway, Suite 434
Tallahassee, FL 32301
(904) 878-4464

paid political ad by RLC

ORDER *REASON*'S RECOMMENDED TITLES FROM LAISSEZ FAIRE BOOKS
World's Largest Selection of Books on Liberty

Modern Times (Rev. Ed.) by Paul Johnson hc List $35.00 **Our Price $29.95**

In Pursuit of Happiness & Good Government by Charles Murray hc List $19.95 **Our Price $15.95**

Losing Ground by Charles Murray pb **$15.95**

Machinery of Freedom by David Friedman pb **$14.95**

Takings by Richard Epstein pb **$14.50**

Forbidden Grounds by Richard Epstein hc List $39.95 **Our Price $24.95**

Economics in One Lesson by Henry Hazlitt pb **$9.95**

Human Action by Ludwig von Mises pb **$21.95**

Fair Trade Fraud by Jim Bovard hc List $24.95 **Our Price $19.95**

ORDER TOLL FREE
800-326-0996
(Visa or MC)
or mail your order to
LAISSEZ FAIRE BOOKS
942 Howard Street, Dept. RJ2
San Francisco, CA 94103
(add $3 for S&H, CA residents add sales tax)

FINANCIAL PRIVACY

Best Techniques for Creating FINANCIAL PRIVACY

- How others penetrate your finances
- Become "invisible" to investigators
- Stop generating financial records
- Communications privacy...mail, phone
- Using a business to create privacy
- Hiding your assets ■ Privacy from taxes
- Using other "names" ■ Offshore options
- Operating in cash ■ Confidential loans
- Safes, private storage ■ Cash equivalents
- Banking alternatives ■ Second passports
- Profitable private investments
- Tax havens ■ A private will
- Enjoying your assets quietly
- Avoiding financial schemes
- 20 steps to take immediately

The EDEN *GUIDE to* COMPLETE FINANCIAL PRIVACY

The EDEN Guide to Complete FINANCIAL PRIVACY

16 Chapters, Indexed
182 pages

ONLY $24.95

Order by Visa/MC: 800-338-8484 **Order TODAY!**

Your Choice { ☐ Regular P&H, $3.00 (Please add ☐ FIRST CLASS, $6.00 to order.)
(California residents please add 7.75% sales tax.)

EDEN PRESS Box 8410-RN • Fountain Valley, CA 92708 ☐ Send latest Book Catalog — FREE.

Name _____

Address _____

City _____

State _____ Zip _____

Challenge the statist quo.

Call or write for information:

Libertarian Party

1528 Pennsylvania Ave., SE
Washington, DC 20003

800/682-1776

WASHINGTON

ger pays tax on lumber; the furniture maker pays tax on the cabinet; the retailer pays tax on the bedroom suite. All of these taxes are supposed to be passed along as higher prices to consumers; but nowhere, even in the final stage of production, does a line on the sales receipt read "tax paid on value added."

VAT supporters recognize that this invisibility tempts big-spending lawmakers. American Council for Capital Formation economist Margo Thorning calls value-added taxes "a powerful way to raise revenue" and says that VATs are attractive to policy makers who are "more concerned about raising revenue than cutting spending." NAM's Huard notes that "the eyes of the members of Congress will start to sparkle once they see [the amount of] money" they can raise with a VAT.

Moore says that's reason enough to oppose value-added taxes. "Every tax Americans pay should be explicit and visible," he says. Moore would replace corporate and personal income taxes with a national sales tax, because "every time Congress raised sales tax rates, taxpayers would see it and feel it immediately. Tax increases ought to hurt."

Will we see a VAT next year? That may depend upon the election results. For more than a year, Bush advisers Nicholas Brady and Michael Boskin have privately floated a plan similar to Danforth's, featuring a small-rate VAT combined with cuts in personal income-tax and capital-gains tax rates.

Cato's Moore says this idea clearly drives a wedge between the "growth" and "austerity" wings of the GOP. "The austerity wing," he says, "doesn't believe the government has enough money. Somehow, if only the government could get more money, the deficit would go away."

However, George Bush needs to restore his flagging credibility with Congress, the press, and the public at large. After repeatedly pledging that he would never raise taxes in his second term, it's hard to imagine Bush supporting a brand new type of taxation—no matter how large the deficit.

Bill Clinton may be different. The Clinton campaign has been conspicuously silent about consumption taxes. His proposals have focused mainly on higher tax rates for wealthy Americans and foreign companies and some targeted tax credits. But the ACCF's Thorning believes Clinton and the Democrats will endorse new consumption taxes because they "see the beauty of using a sales tax or a VAT to do the things they want to do."

Clinton may be playing possum: He won't mention a value-added tax before the election but will enact one nonetheless. NAM's Huard thinks that as long as one party controls the White House and the other Congress, neither party will "back a VAT because [proposing controversial new taxes] would give ammo to the other side." Indeed, Sen. Lloyd Bentsen (D-Tex.) told *The Wall Street Journal* that a VAT will go nowhere in Congress without the president's support.

If Clinton wins with a Democratic Congress, Huard says, a VAT is on the way. Clinton plans to finance his "play or pay" health-care proposal with payroll taxes. But such wage taxes are visible, regressive, and thus unpopular. The Waxman/Dingell health-care VAT may become an attractive option. (Indeed, *New Republic* crystal-ball gazer Mickey Kaus envisions this possibility: In "A Clinton Nightmare," Kaus predicts that Clinton will push for a dedicated health-care tax, leading to "the VAT fiasco of 1994.")

Many NAM members favor value-added taxes, Huard says, because they want the tax code to stop penalizing capital formation. Personally, he's a bit leery about the burdens of piling value-added taxes onto a heavily taxed and regulated economy.

Still, he says, "I think a VAT's going to happen because [the United States is] the last holdout. Every other industrialized country has one." That phrase—"The United States is the only industrialized nation in the world without..."—has become the justification for all sorts of nefarious schemes, from mandatory parental leave to national health insurance. As with other well-meaning but intrusive ploys, the VAT fraternity is one club we don't have to join.

Rick Henderson is Washington editor of REASON.

VAN BAN

BY GLENN GARVIN

Word spread quickly through the office building on Miami's John F. Kennedy Causeway, and soon clusters of faces peered out of nearly every window, watching the action on the street below. A bright green van sat motionless in the right lane of the causeway, bracketed front and rear by police cars. Two burly cops stood beside the driver, a thin black man whose head drooped disconsolately toward the pavement. Behind them, passenger after passenger popped from the van, like clowns from a trick circus car, and collected a few hundred feet away on a corner.

Gustavo Mairena holds a tarp over his fellow jitney drivers during a protest over county restrictions.

THE MIAMI HERALD/CHUCK FADELY

Inside the office building, office workers murmured to one another, searching solemnly for a soundtrack that would make sense of the silent tableau unfolding below them. In Miami, the American Casablanca, the possibilities seemed endless. Drug smuggling? Illegal aliens? The latest Latin American exile army? But no explanation seemed to fit until one of the workers proclaimed: "Outlaw jitney." A sigh of recognition swept through the office. Another of Miami's transit scofflaws, brought to justice.

Since early July, Dade County has been cracking down on jitneys—the unlicensed, unregulated vans that threaten the county's mass-transit monopoly. About 200 have been impounded and their drivers fined up to $1,000. So far, not even the sternest county official has proposed jailing the drivers, although operating an illegal jitney is punishable by 10 days in the slammer. (The crackdown abated during and immediately after Hurricane Andrew but did not end.) By late August, scenes like the one on the Kennedy Causeway were increasingly rare. "These things are starting to hit home," says Tom Marko, head of the Dade Country agency that regulates for-hire vehicles, proudly. "I think the illegals have dropped by over 99 percent."

Not all witnesses to Miami's jitney wars believe that the victory is cause for bragging. "What it looks like to me," says transportation consultant Wendell Cox, "is that you have a sort of entrepreneurial outbreak that is being snuffed out by Dade County transportation authorities." The jitney drivers themselves express their feelings more colorfully. "This is like something Fidel Castro would do," says driver Jorge Balbuena, hurling the foulest oath conceivable in Miami.

Jitneys have operated in Miami since before World War I, and city and county authorities have been trying to put them out of business for just about that long, with varying degrees of success. In 1960, when Dade County assumed monopoly control over local bus service, it declared private competition on its routes illegal. And that was that. A few jitney companies in predominantly black areas—where segregation laws had long restricted access to buses—were permitted to keep operating; otherwise, jitneys pretty much disappeared.

But in 1989, local transportation companies discovered a gaping loophole. The state of Florida, seeking to keep local governments from interfering in long-distance transportation, had banned counties from tight regulation of "intercity" bus travel. The idea was that a company running a bus from, say, Miami to Tallahassee shouldn't be captive to every county commission along the route.

But the law also opened the way for jitneys operating between cities within county lines—which in Dade County, carved up among 28 different municipalities, included virtually every plausible route. Initially just a few large fleet operators took advantage of the loophole, but word soon spread that anyone with a vehicle could open his own bus route. Eventually about 400 jitneys were working Miami's streets.

The jitneys operate like buses, running routes that are more or less fixed, but they offer much more flexibility. They pick up or drop off passengers anywhere along the line, not just at established bus stops, and on a rainy day a jitney driver may veer a block or two off his route to deliver a rider directly to his destination. And they're cheaper; jitneys charge $1.00, 25 cents less than busfare.

Jitney drivers also offer a variety of personalized services that the county bus system can't or won't. They make change, allow riders to eat, drink, and smoke, and sometimes carry regular passengers for free in return for a promise of payment later on.

Another key difference is that jitney drivers usually speak the predominant language of the neighborhoods where they work. In the Babel that is Miami, it is not unusual to walk for blocks at a time without hearing a word of English; the city is home to many immigrants who

speak only Spanish or Haitian Creole. But the powerful bus drivers' union has blocked the county from assigning drivers to routes on any basis but seniority, which means buses are often packed with passengers who can't communicate with their driver. Union officials blithely dismiss any complaints from passengers on this score. "They've just got to learn to speak English," union president Eddie Talley told the *Miami Herald* last year. "That's the American way."

That pretty much sums up the county bus drivers' approach to their work: The customer is always wrong. "You wouldn't believe some of the stuff I've seen on buses," says Ana O'Farrell, a clerical worker in a downtown Miami insurance office. "The drivers stop to get a cup of coffee, or buy a newspaper, or do some errand, and the hell with the passengers. If you complain, they just rip off a transfer, hand it to you, and say, 'There's the door, get out.' " O'Farrell grew to detest the buses so much that she refused to take them at all. She sometimes appears at public hearings to speak up in favor of the jitneys.

Given the contrast between the two services, it's no surprise that jitneys quickly made a dent in the market. A recent study by the Federal Transit Administration concluded that jitneys carry about 1 million passengers a month. "And that's a very conservative estimate," one FTA official adds.

Predictably, Dade County reacted to competition by trying to ban it. It took two years of legal wrangling, but in June 1991 the county once again had authority to keep jitneys off its routes. Two months later, county officials began impounding the vehicles, but drivers simply paid the relatively small $250 fines and went back on the road. This year the county raised the fine to $1,000 and concentrated the fire of a multi-agency task force on the jitneys. The new strategy has been effective.

"We've had to stay off the streets—we can't afford these fines," says jitney driver Balbuena, who heads the Minibus Drivers Association. "It's been pretty tough on us. One guy got evicted from his house. A couple drivers I know have been getting some work painting houses, making just enough to get by. It's just outrageous the way they're putting the entire weight of the government behind screwing a bunch of little guys. None of us was getting rich."

The jitney drivers, in fact, are a socioeconomic mirror of their working-class passengers. Many of them are recent immigrants with relatively few job skills. A typical driver works 10 hours a day and picks up about 120 passengers. After paying for gasoline and insurance, he nets about $50. (Most county bus drivers, by contrast, make $13 an hour or more.)

County officials have tried to portray the antijitney campaign as an effort to keep dangerous vehicles and unqualified drivers off the road. "You wouldn't believe some of these vehicles we've impounded," says county regulator Marko. "Some of them have crates for seats, holes in the floorboards."

The country's attempt to play the safety card got a big boost on July 28, when an illegal jitney driver ran a red light (perhaps to beat a rival jitney to passengers waiting on the next block), struck another car, and killed a Miami woman. The driver turned out to have a suspended license and 10 traffic tickets, and his insurance had lapsed for nonpayment. "This is our worst nightmare," said county commissioner Charles Dusseau, one of the most vitriolic foes of the jitneys. "We had an unlicensed, uninsured jitney involved in an accident. It's something we tried to prevent by getting these illegal operators off the streets."

On closer inspection, however, it wasn't clear that the fatal accident—the first in recent memory involving a jitney—could have been prevented by existing regulations. Only two of the jitney driver's tickets had resulted in convictions, and his license was suspended not because he was a dangerous driver but for failure to pay a fine. (In fact, his driving record would have been good enough to obtain the chauffeur's license necessary to drive a taxi.) His vehicle had actually passed a county inspection. And, although it's true the driver's insurance had lapsed, regulations for legal jitneys—that is, those that don't compete with county buses—don't require insurance companies to notify county authorities when an insurance policy is canceled.

The real proof that Dade County fears competition rather than unsafe jitneys is the county's willingness to let the jitneys operate on routes where its buses don't operate. "We've extended our hands to these people in good faith," says Marko. "We don't want to put them out of business. Last year we tripled, from 12 to 36, the number of approved routes for them."

The approved routes, however, were mostly in virtually uninhabited western areas of Dade County, where the city dissolves into the Everglades. Another route was in Cocoplum, the lush waterfront neighborhood that's home to baseball star Jose Canseco and others in his income bracket. "How often do you think Jose Canseco needs to take a jitney?" asks Balbuena. Jitney drivers who tried to drive the approved routes all abandoned them within two weeks.

The closest Dade County officials ever come to admitting their real problem with the jitneys is when they accuse them of "skimming the cream" off county bus routes. "They're in essence cherry-picking the good routes and leaving the county to provide the routes that are less traveled," county commissioner Dusseau said earlier this year.

The first problem with that argument is that "there is no cream to skim," retorts Cal Marsella, for 13 years a Dade County transit official and now a private consultant who has worked with the jitney drivers. "The best bus route in the system makes about 65 percent of its operating costs. They all lose money."

In fact, Dade's entire public transit system is a fiscal black hole; the money that's pitched into it for improvements and upgrades is never seen again. The most egregious example is Metrorail, the $1.34-billion light rail system that county planners promised would carry 240,000 passengers a day. The actual number is more like 50,000. A 1989 federal study calculated that Metrorail costs $16.77 per

passenger. The rest of the county's transit system isn't much better; it loses about $105 million per year. There's every reason to expect matters to get much worse: Between 1979 and 1989, the system's costs grew 50 percent faster than inflation, ghastly even by the bloated standards of mass transit.

Marsella and several other private-sector transit consultants argue that jitneys, rather than hurting Dade County's public transportation system, actually help it. "The jitneys draw new people into the market," Marsella claims. "The key thing is frequency."

The theory goes like this. Let's say a man is trying to decide how to get from his suburban home to his downtown office. He's much more likely to take public transportation if he knows that a vehicle will be stopping every five minutes rather than every half hour. Thus the jitneys, by doubling the number of vehicles working the county's bus routes, have actually made public transportation a much more attractive option for people who might otherwise drive their own cars.

"Instead of trying to put the jitneys out of business," Marsella says, "the county should be trying to integrate them into the system." Because every county bus route loses money, every route that could be turned over to the jitneys would save taxpayers dollars. "I don't think people realize this is a no-cost option for taxpayers," he adds.

Certainly county officials don't. In April the county commission voted 6-1 against a plan that would have ceded some bus routes to the jitneys. There's little prospect that they'll change their minds; the success of the impoundment program has convinced officials that their jitney problem is already fading into memory.

Of course, the drivers don't see it that way. They've already staged several traffic slowdowns and a hunger strike in a downtown park. And before Hurricane Andrew slammed into Miami on August 30, they were pondering a caravan to Washington in the hope that the Department of Transportation would lend them an ear.

The hurricane muted battle cries on both sides of the jitney war. Police, stretched to the breaking point, had no time to impound jitneys. And although a few dozen jitneys took advantage of their preoccupation to return to illegal downtown routes, more than 250 of the drivers instead went to work for the Federal Emergency Management Agency, which has committed itself to providing free jitney service until February in the south Dade areas that were most brutally hammered by the hurricane.

But the drivers are under no illusions. "What we have here is a truce, not a peace agreement," one said. "Eventually, we're going to have to go back to war."

Glenn Garvin, a former editor of Inquiry *magazine, is author of the recently published* Everybody Had His Own Gringo: The CIA and the Contras *(Brassey's).*

THE FUTURE OF FREEDOM FOUNDATION

WE DON'T COMPROMISE!

For a free sample of our work, write FFF, P.O. Box 9752, Denver, CO 80209 (303-777-3588). Or send $15 ($20 foreign) for a one-year subscription to our monthly publication, *Freedom Daily*.

Free Radical
a novel by Nez Coupé

For a free sample send your name and address to:
Croomia Books, Inc., Dept. R
P.O. Box 2124
Fayetteville, NC 28302-2124

"A Superb Piece of Scholarship." *

With unassailable facts and logic, Kopel debunks the myth that gun control is responsible for low crime rates in Japan, Britain, Canada and other democracies. This is the book of the year on the Second Amendment. "Admirable for its integrity and painstaking research. Kopel provides the fresh air of reason in a national debate too often marked by acrimony and prejudice." —*Tom Clancy

The Samurai, the Mountie, and the Cowboy: Should America Adopt the Gun Controls of Other Democracies?
by David B. Kopel

CATO INSTITUTE

A Cato Institute book published by Prometheus Books. 247 pp., $28.95 postpaid
1-800-421-0351

LOOSE CANNON

BY KEN KASRIEL

While German skinheads running amok and "ethnic cleansing" in Bosnia-Herzegovina grab Western headlines, Hungary's own fascist resurgence—unfolding less telegenically, mostly in local papers and suit-and-tie parliamentary debate—has attracted far less international attention. Yet in some ways it's a lot scarier.

Few but the fringe publicly condone the Rostock rampages or the merciless assault on Sarajevo, whereas Hungary's supposedly centrist governing party has shown there's a place in its top leadership for an exponent of Jewish-conspiracy, genetic-purity, and *lebensraum* theories. The exponent is Istvan Csurka, a Hungarian member of parliament and dramatist whose barb-laced anticommunist plays earned him a wide following—and party bans—under the old regime. A founder and vice president of the country's largest coalition party, the Hungarian Democratic Forum, Csurka is now dusting off banners that were waved here with abandon during the fascist 1930s and '40s, touching long-unprobed nerves and daring the government to follow suit.

M.P. Istvan Csurka's anti-Semitism, irredentism, xenophobia, and genetic speculation haven't hurt him politically.

By last summer, Csurka's penchant for conspiracy theories and equating dissent with disloyalty surprised few. In March he referred to the opposition parties in Parliament—which include free-market liberals, social reformers, and socialists—as an undifferentiated "enemy," a red-ruled "murderous gang, rotten to the core." In April he dubbed the press a "com-lib or lib-com" clique.

Then in late August came what's been called Csurka's "intellectual Molotov cocktail"—a 20,000-word essay in *Hungarian Forum*, the party paper that he publishes. The piece fused his trademark nationalism with raw anti-Semitism, irredentism, xenophobia, and genetic speculation. Despite the essay's fascist overtones, Csurka has not been repudiated by the party or by Prime Minister József Antall.

In long, often oblique passages, Csurka outlined the conspiracy against long-suppressed "Hungarianness." A sinister "paratroopers' unit"—including (at one time or another) early-20th-century Progressives, bourgeois liberals, Bolsheviks, Wall Street magnates, and today's opposition—"is moving through the body of Hungarian society" in an "ever-changing form." It is now "selling Hungary out to IMF, which has replaced USSR as the new puppet master."

Csurka extolled "a national middle class rooted in the *volk*" and probed the decline of Magyar youth: "We cannot ignore any more the fact that this deterioration has genetic roots as well. We must understand that we've been living together far too long with handicapped social strata and groups where natural selection is nonexistent because it has no force among them. Society must now support the strong families that are fit for life and are organized for work and performance."

The unnamed inferior strata appear to be Gypsies. Csurka's anti-Semitism is more explicit. The communist era, he wrote, was an "unhealthy period where Jewry had a word to say and had open or hidden influence where it could be a decisive element." Today, "securing the hegemony of world Jewry" is one power path taken by closet reds who run opposition parties. Hungary's president, Arpad Göncz (whose part in the 1956 revolution earned him several years in jail), refuses to fire allegedly red state media heads because of orders from "those behind his back, the communist, reform communist, liberal and radical nomenklatura and his liaisons in Paris, New York and Tel Aviv."

Csurka longed for "the opportunities for new Hungarian living space" across the country's current borders. The Yalta agreement, he stated without elaboration, expires in 1995.

Csurka derided the three-party governing coalition, which is dominated by his own Democratic Forum, for weak-kneed compromise with other parties—whose support, since they comprise 44 percent of Parliament, is needed to pass laws that require two-thirds majorities for approval. In an unprecedented breach of party ranks, Csurka called on Prime Minister Antall, "a sick man" (his cancer is in remission), to pick a successor. "We have to break with ourselves, who've radiated weakness and uncertainty."

The opposition howled predictably. All eyes turned to Antall; at last, it seemed, Csurka had crossed the line and would be distanced or disowned.

That didn't happen. Three days after the essay appeared, Antall said he was still quite fit to govern, despite his illness, but otherwise tried to laugh off his party vice president, suggesting that Csurka's essay was a "gentlemanly gesture" to show strife-ridden opposition groups "that there may be tensions within the Democratic Forum as well."

Few laughed along. "Everyone is afraid of something," said Peter Feldmajer, a local Jewish leader. "They know that exactly the same movie has already been shown in this country before."

Like Germany—where similar remarks from even a peripheral politician

HUNGARIAN NEWS AGENCY

would trigger an international storm of criticism—Hungary has a dark legacy to which Csurka can hark back. In World War II, Hungary allied itself with the Axis in an attempt to recover the lands it lost under the 1920 Treaty of Trianon, including large swatches of present-day Czechoslovakia, Romania, Ukraine, and the former Yugoslavia. During the war some 681,000 Hungarian Jews died or were killed, deported, or enslaved. After Budapest's ghetto fence came down, some Jews were among the Stalinist elite of the 1950s, but far more were purged. Today the old Magyar kingdom is widely and openly mourned, but the Jews are not, and communists feature far more prominently than fascists in the public demonology.

A few Democratic Forum M.P.s broke ranks and condemned Csurka. The most forthright, József Debreczeni, said Csurka's essay amounted to "a complete Nazi ideological foundation." Both the party's presidium and its national board criticized Debreczeni publicly for his stand and for making it in an opposition paper. The board added that Csurka's essay "in fact helps in forming the Democratic Forum's long-term strategy." The responses of local party leaders were vague and muted: One branch head said he "hesitated to give a responsible answer" until hearing the party line.

That came on August 31, 11 days after Csurka's essay appeared. Antall told Parliament that Csurka "misinterprets a number of issues and gives politically harmful and incorrect answers with which I cannot identify myself, in my own name or on behalf of my own government or the Democratic Forum board or presidium." Antall's specific criticism was limited to Csurka's remarks about the IMF and border revision. He then turned his fire toward the press for harping on the issue. Csurka remained party vice president.

Few think Antall, whose father helped rescue Polish Jews during the war, is anti-Semitic. But he prizes party unity, especially now that his coalition's popularity rating has plummeted to 16 percent. Economic doldrums—including a 11.1-percent unemployment rate, which the government expects to double by the end of next year—could well fuel Csurka's support, estimated at 80 percent of the party and pegged at 35 percent of the population in an August opinion poll.

Csurka's followers are not primarily racist or anti-Semitic. To judge by the crowd of 15,000 that showered him with "Long live Csurka" chants at a Budapest rally in September, they are mostly well-mannered, middle-aged or older couples. Many are frustrated by the government's failure to carry through on its promise of "historical justice." (In March, Hungary's constitutional court overturned an untested law under which former communists could have been tried for treason.) Unaccustomed to the hustle of the emerging private sector, they see little but obscurity and inflation-eroded pensions ahead of them.

Hence their faith in a vague, long-suppressed "Hungarianness" that, unlike the Magyar kingdom that brought Christianity to the Carpathian basin, can't be taken away. And hence their need for scapegoats: communists, who stole the prime of their lives; international capitalists, whose exploits make them obsolete; today's liberals, in cahoots with both; and Jews, who belong to all three groups.

Since Antall's tepid disavowal of Csurka, the renegade M.P. Debreczeni has been attacked by fellow party members: His local party branch has considered launching ethical proceedings against him, and his fellow M.P.s announced that they would try to make him retract his criticism of Csurka. Meanwhile, *Hungarian Forum* has attacked Jewish Hungarian-American philanthropist George Soros's charitable foundation as a "Jewish-liberal-cosmopolitan-communist" conspiracy, with no party censure. At a Democratic Forum branch meeting in Budapest's third district on September 8, Csurka was urged to seek Antall's place as party president. He politely declined.

Ken Kasriel writes for Budapest Week. *He has covered Hungarian politics for* The Guardian *and* The Christian Science Monitor.

Powerful unions are fighting for a ***larger, more influential government.***

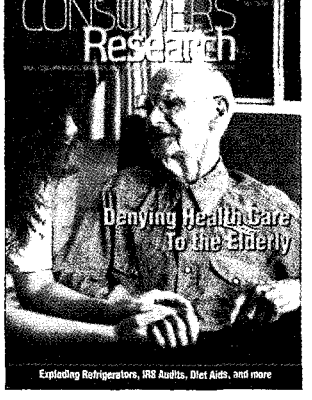
FIND OUT HOW AND HELP US FIGHT BACK!
Write for a free copy of:
Forewarned!
Public Service Research Council
1761 Business Center Drive, Suite 230-R
Reston, VA 22090
or fax request to 703-438-3935

UP from LIBERTARIANISM
4th Edition **by D.G. Lesvic**

...from statism's first line of defense against new ideas, the intellectual closed shop of libertarianism, the contradictions and confusions of its Old Guard, Rothbard repudiating "tax illusion" and then using it, White repudiating "mutual determination" and then using it, the confusion of money prices with real costs, price determined with price determining demand, MPP with MRP, anything to deny new ideas in Austrian Economics and liberation from the "official" monopoly of it...

$5.00 ppd ($7 overseas)
The Political Economy Club of Los Angeles
5668 Cahuenga Blvd., #313 North Hollywood, CA 91601

Consumer or 'Consumerist'? There *is* a difference.



Stay ahead of Federal regulators. Read *Consumers' Research*—a monthly magazine that presents the facts on deregulation, auto safety, health care, the environment, cable TV, and much more. For a free sample issue and one-year trial subscription send $21 to: *CR*, Circulation Department, 800 Maryland Ave., NE, Washington, D.C. 20002

FAST TRACK ON A STEEP ROAD

BY THOMAS W. HAZLETT

At the risk of indictment for insider trading, I'll give you my pick for the fast-track economy of the 1990s: Czechoslovakia. Or, for you Rand-McNally buffs, the soon-to-be "Czech Republic." Bounding fearlessly into their capitalist future, these Czechs will bounce—and prosper.

Their new president, Václáv Klaus, is the Santa of the modern Czech economy. He has gift-wrapped the relics of communist enterprise for the people, privatizing state assets along the lines of "one man, one share." Distributing state factories and real estate to the population generally, rather than auctioning them off to raise proceeds for the government, is a wonderfully democratic solution to the transitional problem of the Eastern Bloc economies. It has the political advantage of dispersing stock ownership widely among the people, naturally creating a mass constituency for private property rights. And, not that this belongs in a political discussion, it has a moral fastidiousness: It truly achieves the socialist mirage of mass ownership of the means of production. I like it.

But its biggest advantage is tactical: It's fast. The emerging democracies don't have many pay periods before evil forces of reaction sweep the politicoscape. The worst-case scenario for the formerly socialist republics is dalliance, squandering the powerful momentum for liberalization while farmers quibble with industrial workers who are beefing with professionals who are griping about former Party members concerning the distribution of spoils.

The number-one priority is to get folks working hard at economically productive pursuits. Prosperity and freedom will both logically follow from high growth rates. And since there is no perfect solution to how the booty stolen by communist governments from the sweat, toil, and pain of the workingman can be returned, a simple and ostensibly fair solution is best. Rapidly dropping property into millions of private hands will quickly lead to a society blessed with wealth creation instead of obsessed with wealth reshuffling.

Positive-sum games tend to produce greater harmonies than the reverse. In Hungary, a country with a substantial head start over the Czechs (Western companies were quietly invited to Budapest 25 years ago), a national brawl over who gets what has pilfered this early lead in favor of the cynical social quagmire that now threatens all progress. The relatively affluent Hungarians have achieved little privatization, since the interest groups that sprang up under the reforms of moderate socialism now block radical measures.

When a society loses its way, wavering between the worlds of socialism and capitalism, chaos results. And, class, what does that lead to? Come on, now, you've read about the 20th century. We've run this experiment before. Yes, that's right—the vice president of the ruling party in Hungary, a well-known writer named Istvan Csurka, now declares that the government ought to be asserting some more "Hungarianness" in its family values and that its foreign policy ought be defined by *lebensraum*. This was not an idle coincidence of translation—the Hon. Vice President himself employed the Deutsch. And he went on to explain that the excessive interference of *Jews and foreigners* was behind the country's lagging index of leading economic indicators.

Mr. Csurka is, of course, a leading indicator himself. The masses are inflammable. Not from the hardships of social transformation per se; patriots absorb mass quantities of hardship during wartime, and like it. But they need a compelling rationale to endure the bad times, and piddly little arguments over the print on who gets what fail to embolden. Indeed, they frustrate. When your entire country looks like the studio audience of a Morton Downey Jr. show, you tend to get testy. Time to blame the (virtually nonexistent) Jews and get a firm disciplinarian in to kick a little butt.

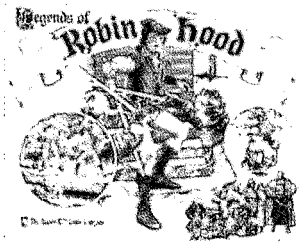
The great irony is that the economic advantages of the Hungarians have undermined their political task: Having a less desperate situation, they could afford to take a middle path on social reform. But the Czechs, starting from far below, are speeding past them. Today the Hungarians have nestled into a ridiculous post-socialist confusion, where conservatives argue that further privatization cannot proceed until the country has developed a middle class. (Quite the reverse, of course.) Meanwhile, the Czechs are dumping state-owned stores, farms, buildings, and factories on millions of small investors: Presto—a middle class! These poor folk are soon to be raising goats, not scapegoats, and milk will be produced, not spilt and cried over.

The communist countries of this century are wide and varied, but they all seem to have one thing in common: millions of poor people. It is curious. The richest ethnic group in the United States is Russian-American; Polish-Americans are number two. The Chinese—the "Jews of Asia"—do quite nicely in the United States, the Caribbean, Southeast Asia, Africa; it has been remarked that the Chinese are economically successful everywhere except in China.

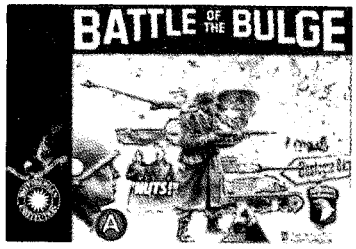
Soon the Czechs will be the miracle economy of Eastern Europe, while the Hungarians will wallow in old ways and new bickerings. Maybe they can even have a nice little war with Romania. Do we see a pattern here? Do institutions matter? You may answer in any language.

Contributing Editor Thomas W. Hazlett teaches economics and public policy at the University of California, Davis.

THE 25 BEST-SELLING GAMES



1. ROBIN HOOD
#6425 $13.95
A 2 to 5-player quick-play card game with high social interaction.



2. BATTLE OF THE BULGE
#732 $21
Brand new entry level game re-creating WWII's longest sustained land battle

Whatever your gaming interests might be, Avalon Hill has a great game for you (and a gaming friend). Some are new; but most have been around for years and have stood the test of time.

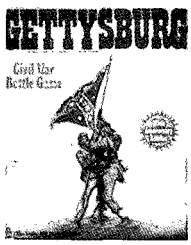
Avalon Hill games bring people together, offering a lifetime of pleasure for just a few dollars a year.

To play an Avalon Hill game is a challenge; to give one a subtle compliment.

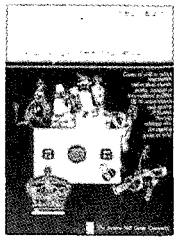
3. GULF STRIKE
#30040 $40
Combines current land, air, and sea operations in the Gulf; includes brand new module, DESERT SHIELD.

4. CODE OF BUSHIDO
#8232 $40
The newest ASL module based on Japanese exploits in three areas of conflict.

5. BLACKBEARD
#887 $35
A 1 to 4-player game re-creating the Golden Age of Piracy.



6. GETTYSBURG
#731 $20
The first in a series of entry level wargames designed to bring new people into the hobby.



7. DIPLOMACY
#819 $25
Up to 7-player Hall of Fame game of international intrigue involving European powers circa 1901.

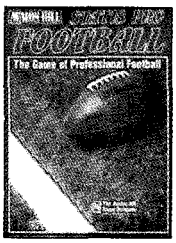
8. REPUBLIC OF ROME
#885 $35
A diplomatic game for 3 to 5 players vying for power during the days of Julius Caesar.

9. ATTACK SUB
#886 $25
A 2-player card game of contemporary hi-tech undersea warfare.

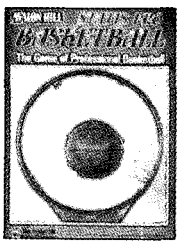
10. NEW WORLD
#884 $25
Two to 6 players take the part of colonizing European countries during the 15th and 16th centuries.

11. CARRIER
#30033 $35
An authentic re-creation of the S.W. Pacific WWII campaign. Designed for solitaire play, only.

12. WRASSLIN'
#9450 $20
A quick-playing, tongue-in-cheek strategy card game spoof of professional wrestling; for any number of players.

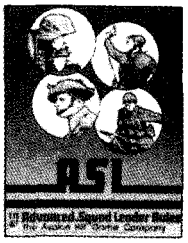


13. STATIS PRO FOOTBALL
#9250 $36
A statistical re-creation of an entire AFL/NFL season; includes individual player cards.



14. STATIS PRO BASKETBALL
#9260 $28
A stat game utilizing player cards representing every player who played in the previous NBA season.

15. CIVIL WAR
#30003 $25
A dynamic portrait of the immense struggle, from its infancy to its final gasp on a grand strategic level.



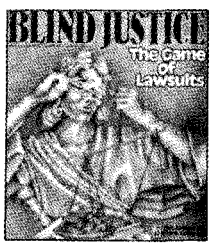
16. ASL
#870 $49.95
Complete set of rules, in a 3-ring binder; required for play of all ASL modules.

17. STATIS PRO BASEBALL
#9240 $40
Re-creates past season with Player Cards; MLPA approved; outstanding solitaire play.

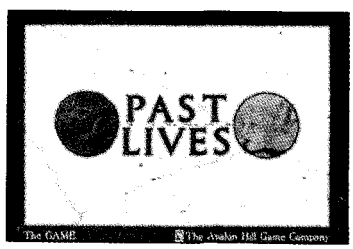
18. THIRD FLEET
#30031 $36
Modern Naval combat in three theatres; N. Atlantic, Caribbean, and E. Atlantic.

19. CIVILIZATION
#837 $35
A 2 to 7 player game requiring skillful political, economic, and military maneuvering.

20. MARCH MADNESS
#9265 $25
A quick play card game re-creating an entire 64-team NCAA tournament.



21. BLIND JUSTICE
#6385 $25
Game of social interaction for 2 to 6 players acting as plaintiff and jury in real life cases.



22. PAST LIVES
#6390 $35
Artistically gorgeous leisure time game in which 2 to 8 players determine who they were in a past life.

23. Deluxe RUNEQUEST
#857 $29.95
Time-tested role-playing system with many adventures; #1 in Great Britain.

24. THIRD REICH
#813 $26
Voted "best game of all time" two years running; re-creates entire European theatre in WWII.

25. ACQUIRE
#GA140 $25
Leisure time game of investment where 2 to 6 players attempt to build the largest hotel empire.

The Avalon Hill Game Company, Dept. RM, 4517 Harford Road, Baltimore, MD 21214.
To order, send a check or money order for the prices shown plus postage and handling. Indicate here the game(s) desired _____
Make out check or money-order to Avalon Hill Games.

NAME _____

ADDRESS _____

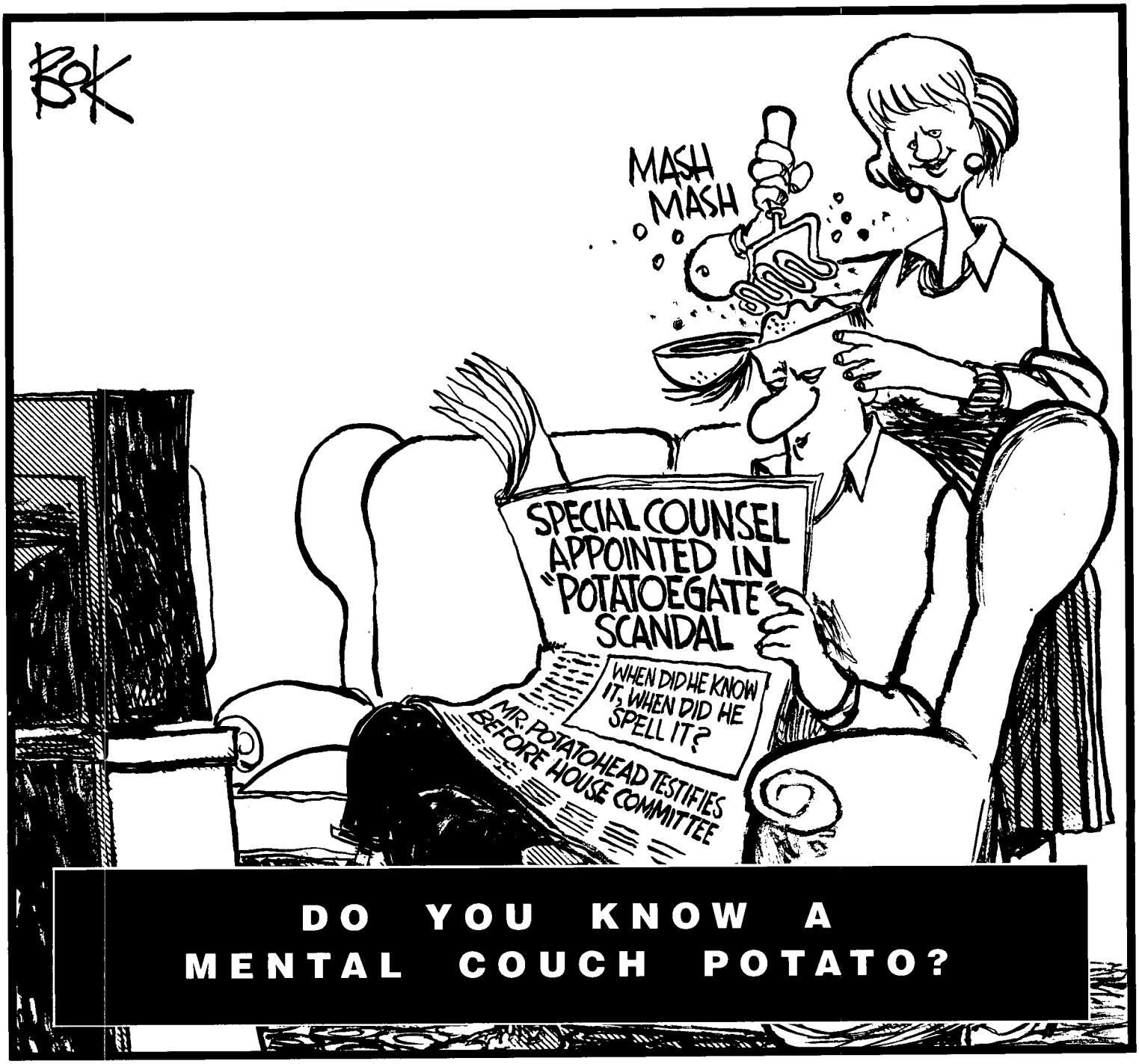
CITY, STATE, ZIP _____

Please Indicate Method of Payment: ☐ Check ☐ Money Order ☐ Charge
☐ American Express ☐ MasterCard ☐ Visa DO NOT SEND CASH

ACCOUNT NUMBER | | | | | | | | | | | | | | | | |

Exp. Date _____ SIGNATURE _____

POSTAGE & HANDLING: Add 10% USA; 20% Canada, Mexico; 30% Overseas
For quick credit card purchasing call **TOLL FREE** 1-800-999-3222


BOK
MASH MASH
SPECIAL COUNSEL APPOINTED IN "POTATOEGATE" SCANDAL
WHEN DID HE KNOW IT, WHEN DID HE SPELL IT?
MR. POTATOHEAD TESTIFIES BEFORE HOUSE COMMITTEE
DO YOU KNOW A MENTAL COUCH POTATO?

A gift subscription of REASON is the best way to keep fit—mentally that is. We all know someone who needs, and deserves, mental exercise, whether they're a mental couch potato or cerebral decathlete. After all, the mass media can be as paralyzing to the mind as the couch is to the muscles.

No need to scour the shopping malls looking for the perfect gift—you already have it in your hands. Give that special someone a year of fresh views and hard-hitting facts that you don't find anywhere else except in the pages of REASON.

Start sending America's magazine of "free minds and free markets" at the low price of $20.00 ($15.00 for each additional gift). Order now to ensure that your gifts start before the holidays. We'll confirm your order by mail and enclose handsome gift cards to add your personal touch.

For fastest service call (815) 734-6309. You can charge your gifts on VISA or MasterCard, or we can bill you if you prefer.

Mail your order to: REASON
P.O. Box 526
Mt. Morris, IL 61054